

**Item 1 – Cover Page**

# Part 2A of Form ADV: Disclosure Brochure



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

Additional information about Palmer Square Europe is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This section summarizes the material changes to this Brochure since the last annual update to the Brochure filed on March 31, 2023.

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

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

## **Important Note about this Brochure**

*This Brochure is not:*

- *An offer or agreement to provide advisory services to any person;*
- *An offer to sell interests (or a solicitation of an offer to purchase interests) in any collateralized loan obligation issuer or warehouse vehicle (each a “CLO”) or other pooled investment vehicle (each a “Fund”), or*
- *A complete discussion of the features, risks or conflicts associated with any Fund, CLO or advisory service Palmer Square Europe or its affiliates (collectively, “Palmer Square”) offers.*

*As required by the Investment Advisers Act of 1940, as amended (“Advisers Act”), we provide this Brochure to current and prospective clients and make it available to the public by filing it on the SEC’s Investment Adviser Public Disclosure website. Although this publicly available Brochure describes our investment advisory services and products, persons who receive this Brochure (whether or not from us) should be aware that it is designed solely to provide information about the investment advisory business of Palmer Square Europe, as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure differs from information provided in other relevant documents applicable thereto including but not limited to a client’s organizational documents and a client’s offering documents and related transaction documents (“CLO Documents”). More complete information about each CLO is included in the CLO Documents, certain of which will be provided to current and eligible prospective investors only by the CLO or persons authorized to communicate with current or potential eligible investors by the CLO or on its behalf. Therefore, any discussion in this Brochure of the CLOs advised by Palmer Square Europe or any other Palmer Square Funds, including but not limited to the investments held, the strategies employed, the risks of investing in, the fees and costs associated therewith and the conflicts of interest faced by Palmer Square Europe and its affiliates are qualified in their entirety by the respective CLO Documents or Palmer Square Fund governing and disclosure documents. To the extent that there is any conflict between discussions herein and similar or related discussions in any such fund documents or CLO Documents, the fund documents or CLO Documents (as applicable) shall govern and control.*

*No offer or solicitation for an investment in the offered securities of a CLO or any other investment vehicle advised by Palmer Square will be made before the delivery of the relevant offering materials to potential investors who should read the offering memorandum and other offering materials carefully and consult with their tax, legal and financial advisors before making any investment decision.*

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## **Item 4 – Advisory Business**

Palmer Square Europe Capital Management LLC (“Palmer Square Europe,” or the “Adviser”) was formed in 2020 and, through its Management Series (defined below), filed its initial registration with the U.S. Securities and Exchange Commission on August 17, 2020.

### **Structure and Operations**

Palmer Square Europe is a series limited liability company organized under the laws of the State of Delaware. Palmer Square Europe consists of the following separate types of series, each with its own ownership and activities:

(i) a “Management Series”, through which we provide investment management services to collateralized loan obligation issuers (“CLO Issuers” or “CLOs”) and certain related investment vehicles organized to hold loans on a short-term basis prior to the launch of a CLO (“Warehouses” and, together with the CLO Issuers, “CLOs” or “Clients”). Our Clients focus on corporate credit and structured credit. All of the membership interests in the Management Series are owned by Palmer Square Capital Management LLC (“Palmer Square Management”) and we have entered into a Shared Services Arrangement (as defined in Item 10, below) with Palmer Square Management to provide staffing services to us in connection with the management services we provide to Clients, as described in more detail in Item 10, below. Except as otherwise stated, our activities as an investment adviser are conducted through the Management Series. There is only one Management Series.

(ii) one or more “Investment Series” through which we own investments in CLOs, including our Clients, and CLOs that are clients of another adviser affiliated with Palmer Square Management. The CLO securities held by each Investment Series include risk retention interests issued by our Clients. All of the interests in the initial Investment Series are currently owned by certain private funds sponsored by Palmer Square Management (the “Palmer Square Investing Funds”).

(iii) one or more “Originator Series”, each of which engages in EU risk retention “origination” activities in connection with the CLOs we manage. All of the interests in the initial Originator Series are currently owned by the Palmer Square Investing Funds.

Each Investment Series and Originator Series are intended to assure compliance with certain applicable regulatory risk retention requirements. In the future, we could form additional series.

### **Palmer Square**

The principals and members of the senior management of Palmer Square Management (some of which also serve as our principals and senior management), are the principal owners of Palmer Square Management and generally hold their interests therein through Palmer Square Holdings, LLC (“Holdings” and, together with Palmer Square Management, Palmer Square Europe and their relevant affiliates, “Palmer Square”), an entity exclusively owned and controlled by Christopher Long, Chief Executive Officer of Palmer Square, and Angie Long, Chief Investment Officer of Palmer Square.

As an enterprise, Palmer Square provides investment advisory services (including on a sub-advisory basis) to institutions, high net worth individuals, investment companies and other pooled investment vehicles (each, a “client”). In connection with its advisory activities, Palmer Square, as relevant, can serve as: (i) managing member, or general partner to certain privately placed pooled investment vehicles domiciled within or outside of the U.S., including hedge funds and funds of hedge funds (each a “Palmer Square Private Fund”); (ii) investment adviser, investment manager or portfolio manager to Palmer Square Private Funds, collective investment trusts (each a “Palmer Square CIT”), investment companies registered under the Investment Company Act of 1940, as amended (the “Company Act” and each such fund, a “Palmer Square Registered Fund”) and funds that have elected to be treated as business development companies under the Company Act (each a “Palmer Square BDC”); and/or (iii) collateral manager, collateral servicer, or portfolio manager to collateralized debt obligation issuers (“CDOs”), CLOs and related Warehouses for CLOs or CDOs (together with the Palmer Square Private Funds, Palmer Square CITs, Palmer Square Registered Funds and Palmer Square BDCs, the “Palmer Square Funds”). Palmer Square expects to advise additional clients (including CLOs) without consulting its existing clients. In connection with the operation of such additional clients, Palmer Square expects to employ substantially similar investment strategies and/or invest in substantially similar assets as are employed and invested in by existing clients of Palmer Square Europe. Please refer to Item 10 for additional discussion regarding the affiliates of Palmer Square.

## **CLOs and Warehouses**

After its warehouse phase, a CLO is a pooled investment vehicle that has a tiered capital structure, issuing senior and mezzanine notes that are rated by one or more rating agencies (the “Rated Notes”) and unrated, subordinated notes or other economic equity interests (together with the Rated Notes, the “CLO Securities”).

Each client of Palmer Square Europe is currently a CLO or CLO Warehouse. Each CLO invests substantially all of its assets in, and its CLO Securities are backed by, loans and other assets that are permitted to be held by the CLO under the applicable CLO Documents (together, the “Assets”). Each CLO and its investment program is described and governed by its own CLO Documents, which describe the roles of various persons involved in the CLO, establish the collateral manager’s authority to manage the CLO and the limits on that authority and set forth detailed eligibility criteria, specifications and requirements regarding the types of investments and describes the overall composition of the CLO’s portfolio (including by imposing, diversification, ratings and concentration tests). In general, CLO Documents include the CLO’s: offering circular; collateral management agreement; indenture; account agreement; note purchase or placement agreement; subscription agreements; and other transaction documents.

As a general matter, Palmer Square Europe’s advice to the CLOs is limited to investments in assets such as, but not limited to, loans and bonds. Nonetheless, each CLO pursues its own investment program and has distinct investment features, which can include varying levels of fees, portfolio compositions, investment minimums, investor qualification standards, maturities and distribution terms. Investors in the CLOs cannot impose restrictions on the CLO’s investment activities. Subject to the CLO Documents, Palmer Square Europe generally has full discretion in trading on behalf of each of the CLOs it manages, without (except as required by

the Advisers Act or the CLO Documents, in the case of certain principal or affiliate transactions) prior notice to or approval from, any CLO or its underlying investors.

### **Assets Under Management**

As of December 31, 2023, Palmer Square Europe's regulatory assets under management are approximately \$6,160,320,918. The Adviser does not currently manage any assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Advisory Fees**

#### *Collateral Management Fees*

As compensation for its services as collateral manager, the Management Series of Palmer Square Europe is entitled to certain fees, and the CLOs will bear certain expenses in connection with their operation. The fees and expenses for each CLO are described in the relevant CLO Documents and can vary from CLO to CLO. In most cases, the Management Series of Palmer Square Europe, or a Palmer Square affiliate, will receive a senior collateral management fee, a subordinate collateral management fee (both of which typically begin to accrue at closing and are paid quarterly in arrears) and, upon achieving a level of performance described in the CLO Documents, can also be entitled to receive an incentive collateral management fee (collectively, “Collateral Management Fees”) from each CLO for services rendered to the CLO. Collateral management fees are payable only to the extent that funds are available for that purpose, in accordance with the priority of payments waterfall described in the relevant CLO Documents (the “CLO’s Waterfall”). The senior collateral management fee occupies a higher priority in the CLO’s Waterfall than the subordinate collateral management fee and the incentive collateral management fee. The incentive collateral management fee represents performance-based compensation and is typically only payable to the extent that: (i) funds are available in the CLO’s Waterfall for such purpose on each payment date and (ii) certain specified returns hurdles are achieved, as described in the applicable CLO Documents.

#### *Warehouse Fees*

In most cases, Warehouses pay management fees, structuring fees and/or “warehouse success fees” (collectively “Warehouse Fees”) to Palmer Square Europe or an affiliate under the Warehouse’s CLO Documents, as negotiated on a case-by-case basis. Warehouse Fees often include fees similar to the Collateral Management Fees described above, as well as certain fees negotiated in connection with a CLO payoff of a warehouse facility or upon the closing of a CLO, in each case as described in the relevant CLO Documents.

### **Expenses**

Collateral Management Fees and Warehouse Fees are exclusive of various costs and expenses that are incurred by a CLO or Warehouse, as applicable, in connection with Palmer Square Europe’s provision of collateral management services. As described in more detail below and in the relevant CLO Documents, the costs and expenses that will be borne by our clients include, but not limited to: organizational, custodial, brokerage, audit, line of credit, legal, risk management, consulting, third party administration and research-related fees; deferred sales charges; odd-lot differentials; transfer taxes; wire transfer and electronic fund fees; and other fees, expenses and taxes on brokerage accounts maintained, and securities transactions effected, for the client.

Please see Item 12: Brokerage Practices, for more information about expenses incurred in connection with the purchase or sale of a CLO’s Assets and Palmer Square Europe’s trading



practices, including the factors we consider in selecting intermediaries and determining the reasonableness of their compensation.

#### *Direct and Indirect Expenses Incurred by CLOs*

In addition to the fees paid to the Management Series of Palmer Square Europe for its collateral management services, and as set forth in the relevant CLO Documents, CLOs pay (and investors in the CLO indirectly bear) a variety of other expenses related to the CLO's operations. These expenses will be the responsibility of the CLO and can be paid directly by the CLO or by Palmer Square for and on behalf of the CLO (in which case, Palmer Square will be entitled to reimbursement from the CLO). Examples of allocable direct expenses that could be borne by a CLO include, but are not limited to, the following:

- All fees and out of pocket costs and expenses incurred by Palmer Square in connection with the formation of a CLO and its consummation including, without limitation, legal and other expenses (excluding travel) incurred in connection with the offer and sale of interests in the CLO (*i.e.*, organizational expenses);
- Expenses associated with the operation of the CLO under the CLO Documents in connection with the management of the CLO's Assets including expenses related to purchases and sales of Assets, workouts, research systems and compliance monitoring (some of which can be shared expenses, as described below);
- Other operating expenses, including brokerage commissions and other charges for transactions in securities, other instruments and investments;
- Escrow expenses;
- Borrowing charges on margin accounts, credit facility charges and the costs of other indebtedness;
- Insurance costs;
- Governmental charges;
- Licensing costs;
- Audit fees;
- Valuation expenses;
- Financing and interest costs and expenses;
- Custodial fees and expenses;
- Administrative fees and expenses;

- Reporting expenses;
- Taxes;
- Legal and accounting fees and other professional expenses such as consulting and investment banking fees;
- Expenses associated with mailing and reproducing offering documents, any amendments thereto and other communications with investors;
- Subject to the requirements of applicable law, all expenses incurred in connection with any threatened, pending or anticipated litigation, examination or proceeding;
- All expenses incurred as a result of the client's obligation to indemnify Palmer Square, the administrator, their respective affiliates and certain other parties against losses, liabilities and expenses incurred in connection with the performance of their duties on behalf of, or the provision of services to, the client;
- All other expenses and liabilities incurred in connection with or arising out of the CLO's business, including extraordinary or non-recurring charges;
- Other amounts payable pursuant to the CLO's collateral management agreement;
- Expenses related to any side pocket account (shall be charged only to the capital accounts who participated in the side pocket account);
- Any other expenses incurred by Palmer Square under the CLO Documents; and
- Reimbursements due to Palmer Square for all such costs and expenses, if any, borne by Palmer Square on behalf of the CLO.

#### *Treatment of Shared Expenses*

Certain costs and expenses are incurred for the benefit of, or shared by, multiple clients ("Shared Expenses"); these can include, but are not limited to, the following:

- Due diligence expenses, including reasonable travel expenses related to client investments;
- Out-of-pocket expenses directly related to a current or prospective investment;
- Research related expenses;
- Computer software and news and information services, including but not limited to expenses relating to maintaining Bloomberg accounts, risk management software;

- Expenses related to workouts;
- Expenses related to compliance monitoring of a CLO's Assets;
- Expenses related to pricing services; and
- Special investment opportunities such as private placement or limited availability investments.

Pursuant to its expense allocation policy and procedures, Palmer Square endeavors to allocate shared expenses in a manner that we consider, in our discretion based on the circumstances and on an overall basis, to be fair and equitable to the CLOs and other accounts that could benefit from the shared expense. Generally, Shared Expenses will be allocated *pro rata* based on relative assets under management of the clients benefitting from the Shared Expense, but can be allocated in another manner, if Palmer Square deems it to be appropriate under the circumstances.

Palmer Square also faces certain conflicts of interest in making allocation decisions with respect to Shared Expenses to the extent we have differing pecuniary interests in the CLOs or other accounts and the current or anticipated performance of such accounts and the impact of such performance on compensation paid or payable to Palmer Square. Additionally, certain clients' governing documents do not permit them to directly or indirectly bear certain costs and expenses and other clients could be subject to expense caps. To the extent that any clients who cannot bear the costs of a Shared Expense benefit from that Shared Expense, Palmer Square would typically directly bear the responsibility for the portion of the Shared Expense that would otherwise be allocable to such clients, which creates a conflict of interest for Palmer Square in identifying clients that benefit from a Shared Expense and in determining the manner in which the Shared Expense will be allocated. For example, where Palmer Square incurs a Shared Expense that could benefit multiple accounts, not all of which allow for reimbursement, we have an incentive to allocate the Shared Expense only to those accounts which are permitted to bear it in order to avoid incomplete reimbursement or otherwise to choose an allocation methodology which increases the portion of the Shared Expense that is reimbursable to Palmer Square.

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

### **Performance-Based Fees**

As noted in Item 5, if and to the extent provided in the CLO Documents, Palmer Square Europe or an affiliate is generally eligible to receive performance-based fees from a CLO in the form of the incentive collateral management fees. Performance compensation is payable only after the CLO has achieved a certain return target, typically in the form of an internal rate of return hurdle, which is based on payments received by the equity holders thereunder in relation to their initial investment in the CLO.

Performance-based compensation arrangements create an incentive for Palmer Square Europe to: (i) recommend investments that are riskier or more speculative than those that might be recommended under a different fee arrangement, such as a management fee only arrangement, and (ii) dispose of investments at a time and in a sequence that would generate the most performance-based compensation. Additionally, where a performance fee is based on realized gains, Palmer Square Europe has an incentive to cause a CLO to realize gains in order to earn or increase its fee, although continuing to hold the Asset might have been in the CLO's best interest.

### **Side-by-Side Management**

Side-by-side management is the simultaneous management of multiple accounts that follow the same or similar investment strategies but in which an adviser or its investment professionals have differential pecuniary interests (including as a result of fee structures or investment interests). As a result of Palmer Square's various advisory activities for, and pecuniary interests in, different clients, conflicts of interest with respect to side-by-side management will arise. For example, each CLO generally provides for an incentive collateral management fee; however, in some cases, these fees will differ from CLO to CLO and, depending on circumstances, a CLO might not reach a return threshold or have funds available in the CLO's Waterfall to pay an incentive collateral management fee, while the prospect of earning an incentive collateral management fee is greater with respect to another CLO, creating an incentive for Palmer Square Europe to favor the CLO(s) more likely to pay an incentive collateral management fee.

Additionally, pursuant to the Shared Services Arrangements, Palmer Square Europe's investment professionals are shared with other Palmer Square entities. Palmer Square Europe's investment professionals often manage assets either on our behalf or in their capacity as a portfolio manager or other investment professional with an affiliate for other Clients, pooled investment vehicles and/or other accounts (including accounts of institutional clients and pension plans) and Palmer Square and its investment professionals have differing pecuniary interests in such clients, including the CLOs. When we, another Palmer Square adviser or shared personnel manage accounts that charge only management fees as well as accounts that charge both management fees and performance-based fees, or manage accounts with different performance-based fees, or in which there are otherwise differing pecuniary interests, a variety of conflicts of interest arise. In particular, different fee structures and pecuniary interests create an incentive for Palmer Square and our investment professionals to dedicate increased time, services and resources, and to allocate more profitable investment opportunities or "best" investment ideas, to clients whose

fees (management or performance-based arrangements) are more profitable for Palmer Square or where Palmer Square or its investment professionals otherwise have a greater pecuniary interest in some clients than in others, particularly where Palmer Square investment personnel provide services to multiple clients, including CLOs, that have similar investment strategies.

Palmer Square seeks to address conflicts related to side-by-side management through policies and procedures designed to ensure each client is treated in a manner consistent with Palmer Square Europe's obligations under the Advisers Act, including to account for the services provided by Palmer Square personnel under the Shared Services Arrangements.

### **Allocation of Investment Opportunities**

It is Palmer Square's policy to allocate, to the extent operationally and otherwise practicable, investment opportunities to each client in a fair and equitable manner over time, consistent with our fiduciary duties. To the extent the portfolio managers deem a particular investment suitable for more than one of Palmer Square's clients, such investment will be aggregated for applicable clients and allocated or apportioned by Palmer Square between (or among) those clients to the extent Palmer Square determines that it is practicable, advisable and in the client's best interest to do so. Palmer Square recognizes that it might not always be possible (or consistent with the investment objectives of a client) for the same investment position to be taken or liquidated at the same time or at the same price by all of Palmer Square's clients holding or seeking to hold that position.

In accordance with Palmer Square's trade allocation and aggregation policy and procedures, Palmer Square allocates investment opportunities among its discretionary clients, where appropriate, on a basis that Palmer Square deems fair and equitable to each client over time, which generally involves allocating the opportunity *pro rata* among relevant clients based on an appropriate metric or a pre-determined allocation methodology. However, Palmer Square can allocate on a basis other than *pro rata* if, in its discretion, Palmer Square determines a different basis for allocation would be fair and equitable on an overall basis to all applicable clients under the circumstances, taking into account relevant characteristics of each applicable client (in each case, both at the time of investment and on a prospective basis). Such characteristics include, among other factors, cash position, lot size, amount of available capital, investment objective, investment strategy, risk profile, liquidity, current portfolio holdings, overall portfolio composition, portfolio management personnel, trading activity, tax and legal considerations, timing and size of investor capital contributions and withdrawals, market conditions and other criteria deemed appropriate by the relevant party, in each case relative to each applicable client both at the time of the investment and on a prospective basis, and the nature and extent of which differences will vary from client to client or between clients and other accounts, as relevant. A CLO might not participate in any particular investment opportunity on a *pro rata* basis with other clients or at all.

Moreover, Palmer Square could be limited in its ability (or could be unable) to allocate certain investments to one or more clients, particularly with respect to private, unregistered or over-the-counter securities and financial instruments, due to a variety of factors, including limited investment opportunity, legal, regulatory, tax, trading, or counterparty-imposed or market-driven restrictions. As a result, some clients might not participate in any particular investment opportunity on a *pro rata* basis with other clients or at all. Moreover, there could be

circumstances where an investment opportunity is allocated to certain clients first in satisfaction of applicable risk retention requirements or other legal, contractual or regulatory considerations.

## **Item 7 – Types of Clients**

Palmer Square Europe provides investment advisory services to CLOs, including CLOs consisting primarily of Europe-based Assets (“European CLOs”) and CLOs consisting primarily of U.S.-based Assets (“U.S. CLOs”). European CLOs are generally organized in Ireland, and U.S. CLOs are generally organized in the Cayman Islands. Each CLO is generally excepted from the definition of an “investment company” pursuant to Section 3(c)(7) of the Company Act, and the CLO Securities issued by Clients are generally exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to Regulation D and/or Regulation S thereunder, although other exceptions could be relied on in certain circumstances. As such, each US person who invests in CLO Securities will, at a minimum, be an accredited investor and a qualified purchaser. Non-US Persons who invest in a CLO domiciled outside of the U.S. through a Regulation S offering will not necessarily be required to meet such qualifications, but will be subject to the investor criteria set forth in the relevant CLO Documents.

Additionally, certain CLOs could also rely on Rule 3a-7 under the Company Act as an exception from the definition of an “investment company”. Such CLOs are subject to the Rule’s requirements with respect to holders of CLO Securities. As a result, except for CLO Securities that are fixed-income securities rated, at the time of initial sale, in one of the four highest categories, CLOs relying on Rule 3a-7 expect that each holder will be a qualified purchaser that is also: (i) for fixed income securities not so rated, an institutional accredited investor; or (ii) for such CLO Securities or for CLO Securities that are not fixed income securities, a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act) or a persons involved in the organization or operation of the CLO (or such a person’s affiliate, as defined in Rule 405 under the Securities Act). Additionally, these CLOs must observe certain limitations as to the type of assets that it can hold as well as restrictions with respect to purchases and sales, which could have an adverse impact on the risks and returns associated with an investment in the CLO.

In most cases, interests in European CLOs are generally issued in minimum denominations of €250,000 for Rule 144A investors and €100,000 for Regulation S investors, and interests in U.S. CLOs are generally issued in minimum denominations of \$250,000,000 for Rule 144A investors and Regulation S investors, but minimums can be waived in certain circumstances. Additional details concerning the exceptions relied upon by a CLO and applicable investor criteria will be provided in the relevant CLO Documents.

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

The following is a summary of the investment strategies and methods of analysis employed by Palmer Square Europe on behalf of the CLOs, and related risks. As this summary focuses on material risks generally applicable to the CLOs, it does not limit in any way Palmer Square Europe's investment activities on behalf of any CLO. Rather, the limitations applicable to each CLO are set forth in the relevant CLO Documents. In advising the CLOs, Palmer Square Europe can, where appropriate, make investments that are not described fully in this Brochure, subject to the CLO's investment objectives and guidelines. Specific descriptions of the investments, strategies and methods used for each CLO are included in its CLO Documents. Investors and prospective investors in a CLO should carefully consider the disclosures in the relevant CLO Documents (which contain a more complete description of the investment strategies of, and the risks and conflicts of interests associated with, the CLO) before investing. All investments involve a risk of loss, including a loss of principal; there can be no assurance that the investment objectives of any CLO will be achieved. Investors should understand and be capable of bearing the risks of loss associated with an investment in CLO Securities.

Although it is impossible to predict the precise nature and consequences of these events (or similar), or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact us, our Clients and their investments, it is clear that these types of events are impacting and will, for at least some time, continue to impact Clients and borrowers and in many instances the impact will be adverse and profound. For example, companies in which CLOs invest are being significantly impacted by these emerging events and the uncertainty caused by these events. With respect to loans to such companies, CLOs will be impacted if, among other things, (i) amendments and waivers are granted (or are required to be granted) to borrowers permitting deferral of loan payments; (ii) borrowers default on their loans, are unable to refinance their loans at maturity, or go out of business permanently; and/or (iii) the value of loans held by the CLO decreases as a result of such events and the uncertainty they cause. There can be no assurance that such emerging events will not cause a CLO to suffer a loss of any or all of its investments or interest thereon. A CLO would also be negatively affected if our operations and effectiveness or those of our affiliates or an issuer, obligor, or borrower (or any of the key personnel or service providers of the foregoing) is compromised or if necessary or beneficial systems and processes are disrupted.

As a result, each of the risks discussed in Item 8 of this Brochure (as well as similar discussions in CLO Documents) is subject to, and should be considered in light of, the foregoing risks and uncertainties.

### **Methods of Analysis**

In directly investing capital to achieve a particular client objective, Palmer Square employs a blend of top-down and bottom-up analysis. The top-down approach has three components: (i) macro analysis whereby the Adviser's investment team undertakes frequent dialogues regarding macro items including the economic outlook, financial and credit markets, new and secondary issues, regulatory changes, M&A environment, and valuation levels; (ii) cross-asset relative value analysis which consists of analyzing the credit spectrum for strong relative value opportunities (e.g., analysis of valuation metrics across loans, bonds, convertibles, CLOs, CDOs,



Warehouses and mortgage credits to identify and monitor optimal risk/reward opportunities); and (iii) active monitoring by the investment team of the major sectors within the credit universe. With regard to the bottom-up approach, the investment team undertakes frequent dialogue discussing key analyses including items such as determining an issuer's ability to service debt, measuring past performance and understanding the approach of the manager team and their ability to meet goals, deal structure model analysis, document analysis and other financial modeling and scenario testing. Finally, the bottom-up approach includes trade refinement. For example, within the credit spectrum, the team seeks to evaluate many trade specifics including, without limitation, liquidity, position size, upside/downside, and relative versus absolute value.

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

Palmer Square Europe selects the Assets to be acquired and sold by the CLO, monitors the CLO's Assets and provides the CLO and its trustee, if applicable, certain information with respect to the composition and characteristics of the Assets, any disposition or tender of an Asset, 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 additional Assets. Palmer Square Europe believes the investment process is designed to support the investment objective by meeting certain priorities that include: selecting high quality, high yield and liquid credits, minimizing default risk and optimizing relative value. The process includes, but is not limited to, top-down industry analysis, fundamental credit analysis, and an approval process for buy and sell decisions.

## **Investment Strategies**

Palmer Square Europe's investments on behalf of CLOs focus on debt investments in U.S. companies (in the case of U.S. CLOs) or European companies (in the case of EU CLOs) (but can also include other foreign companies) of all maturities and credit qualities, including bank loans and distressed debt. Subject to the relevant CLO Documents, a CLO can purchase debt instruments that are currently undervalued, out-of-favor, have low credit ratings or are affected by other adverse factors ("Stressed or Distressed Securities"). Stressed or Distressed Securities can 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. Where consistent with the CLO Documents, investments can also include the purchase of structured credit or debt of companies with lower credit ratings that we believe could have attractive risk/reward characteristics due to, among other things, an anticipation of a ratings upgrade, expectation that a reorganization will provide greater value, or other positive business factors that are not yet reflected in their market value. In connection with certain investments, Palmer Square could choose to employ hedging techniques designed to reduce the risk of adverse movements in interest rates, Asset prices or currency exchange rates. Additionally, the CLOs will employ leverage which increases risk but can also increase potential returns to holders of more junior CLO Securities.

## Risk of Loss

Investing in CLO Securities involves a risk of loss that an investor should be prepared to bear, including a complete loss of the original principal invested. Palmer Square does not provide any representation or guarantee that an investor's or a CLO's goals will be achieved. An investment in a CLO will be subject to varying degrees of risk, depending on the different types of Assets held. The risk factors set forth in this Brochure is not intended to be a complete enumeration or explanation of the risks associated with the CLOs. Prospective investors should read all relevant CLO Documents and consult with their own advisers before investing. In addition, as the various CLOs are expected to develop and change over time, investments could become subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred, including a risk of complete loss.

The risks summarized below are qualified in their entirety by the disclosures in the applicable CLO Documents.

- *General Economic Conditions:* European financial markets have experienced volatility and have been adversely affected by concerns over economic contraction in certain EU member states (the "Member States"), rising government debt levels, credit rating downgrades and risk of default or restructuring of government debt. These events could cause bond yields and credit spreads to increase. Many European economies continue to suffer from high rates of unemployment. This economic climate could have an adverse effect on the ability of consumers and businesses to repay or refinance their existing debt. Several countries have experienced or are currently experiencing a "double-dip" recession, and there remains a risk of a "double-dip" recession in countries which have experienced modest growth over previous quarters and continued recession in countries which have not yet experienced positive growth since the onset of the global recession. As discussed further in "European Union and Euro Zone Risk", it is possible that countries that have adopted the Euro could return to a national currency. The effect on a national economy as a result of it leaving the Euro is impossible to predict, but is likely to be negative. The exit of one or more countries from the Euro zone could have a destabilizing effect on all European economies and possibly the global economy as well. In addition, obligors of CLOs can be organized in, or otherwise domiciled in, certain countries that are currently suffering from economic distress, or other countries that could begin to suffer economic distress, and the uncertainty and market instability in any such country can increase the likelihood of default by such obligor. If any such obligor becomes insolvent, by virtue of being organized in such a jurisdiction or having a substantial percentage of its revenues or assets in such a jurisdiction, it could be more likely to be subject to bankruptcy or insolvency proceedings in such jurisdiction at the same time as such jurisdiction is itself potentially unstable. The global credit crisis and its consequences, together with the perceived failure of the preceding financial regulatory regime, continue to drive legislation and regulators towards a restrictive regulatory environment, including the implementation of further regulations which affects financial institutions, markets, instruments and the bond market. Such additional rules and regulations could, among other things,

adversely affect the flexibility of Palmer Square Europe in managing and administering collateral. Increasing capital requirements and changing regulations can also result in some financial institutions exiting, curtailing or otherwise adjusting some trading, hedging or investment activities which could have effects on the liquidity of investments.

- *European Union and Euro Zone Risk:* Since the global economic crisis, the deterioration of the sovereign debt of several countries, together with the risk of contagion to other, more stable, countries, has continued to pose risks. This situation has also raised uncertainties regarding the stability and overall standing of the European Economic and Monetary Union and could result in changes to the composition of the Euro zone. As a confidence building measure, the European Commission created the European Financial Stability Facility (the “EFSF”) and the European Financial Stability Mechanism (the “EFSM”) to provide funding to Euro zone countries in financial difficulties that seek such support. Subsequently, the European Council agreed that Euro zone countries would establish a permanent stability mechanism, the European Stability Mechanism, to assume the role of the EFSF and the EFSM in providing external financial assistance to Euro zone countries which has been active since July 2013. Despite these measures, concerns persist regarding the growing risk that other Euro zone countries could be subject to an increase in borrowing costs and could face an economic crisis similar to that of Cyprus, Greece, Italy, Ireland, Spain and Portugal, together with the risk that some countries could leave the Euro zone (either voluntarily or involuntarily including as a result of an electoral decision to leave the European Union), and that the impact of these events on Europe and the global financial system could be severe. Furthermore, concerns that the Euro zone sovereign debt crisis could worsen could lead to the imposition of capital controls, the reintroduction of national currencies in one or more Euro zone countries or, in more extreme circumstances, the possible dissolution of the Euro entirely. The departure or risk of departure from the Euro by one or more Euro zone countries and/or the abandonment of the Euro as a currency could have major negative effects (including the risks of currency losses arising out of redenomination and related haircuts on any affected assets). Should the Euro dissolve entirely, the legal and contractual consequences for holders of Euro-denominated obligations would be determined by laws in effect at such time.

As a result of continued political tensions and armed conflicts, including the Russian invasion of Ukraine in February of 2022, the U.S. has imposed sanctions on certain Russian entities and individuals and certain sectors of Russia’s economy, which may result in, among other things, the devaluation of Russian currency, a downgrade in the country’s credit rating, and/or a decline in the value and liquidity of Russian securities, property or interests. The U.S. and other nations or international organizations may impose additional economic sanctions or take other actions that may adversely affect Russia-exposed issuers and companies in various sectors of the Russian economy and may increase volatility in the markets generally. Sanctions could also result in Russia taking counter measures or retaliatory actions, which may impair the value and liquidity of

securities and/or disrupt financial markets globally

- *Concentration Risk:* To the extent that a CLO concentrates its investments in a particular sector of the market (such as traditional credit, structured credit and alternative investments), it will be more likely to be affected by events that adversely affect that sector than, and the value of such a CLO is likely to be more volatile than, a CLO with a less concentrated portfolio.
- *Counterparty Risk:* The institutions (such as banks) and prime brokers with which Palmer Square does business, or to which Assets have been entrusted for custodial purposes, could encounter financial difficulties. This could impair the operational capabilities or the capital position of Palmer Square or a CLO or create unanticipated trading risks.
- *Credit Default Risk:* The owner of a fixed income security could lose money if the issuer is unable or unwilling to make timely principal and/or interest payments or to otherwise honor its payment obligations. Further, when an issuer suffers adverse changes in its financial condition or credit rating, the price of its debt obligations will often decline and/or experience greater volatility. These adverse changes can also affect the liquidity of an issuer's debt securities and make them more difficult to sell.
- *Debt Securities:* CLOs are likely to invest significantly in non-U.S. corporate debt securities and similar instruments. Debt securities can be subject to price volatility due to various factors including changes in interest rates, market perceptions of the creditworthiness of an issuer, and general market liquidity. Such instruments involve the fundamental credit risk that an issuer will be unable to make principal and interest payments. Debt securities can be rated or unrated, but whether or not rated could have speculative characteristics.
- *Distressed/Bankruptcy Investing:* A CLO can 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). A CLO can also purchase financial instruments of companies that have low credit quality, and purchase securities and loans that are in default. Performance could be substantially impaired by unsuccessful distressed or low credit investments.
- *Equity Securities and Equity Derivatives:* A CLO could hold equity securities and potentially equity derivatives as a result of a workout or restructuring. The value of these Assets vary based upon the issuer's performance and movements in the broader equity markets. Numerous economic factors, as well as market sentiment, political, and market-related factors, among others, influence the value of equities. A portfolio could suffer losses if an equity's performance diverges from expectations or based on adverse equity market movements.

- *Event Risks:* Global markets are interconnected, and events like hurricanes, floods, earthquakes, forest fires and similar natural disturbances, war, terrorism or threats of terrorism, civil disorder, public health crises, pandemics and similar “Act of God” events have led, and are likely in the future to lead, to increased short-term market volatility and could have adverse long-term and wide-spread effects on world economies and markets generally. A CLO that has exposure to countries and markets impacted by such events could suffer material losses.
- *General Credit Risks:* Palmer Square Europe will seek to take advantage of opportunities in the stressed and distressed credit arena and a CLO could be exposed to losses resulting from default and foreclosure in connection with such opportunities. Stressed and distressed credit assets often have large uncertainties or major risk exposures to adverse conditions, and certain of them should be considered to be predominantly speculative. Generally, such investments offer a potentially higher return, but involve greater volatility of price and greater risk of loss.
- *High Yield (“Junk”) Bond Risk:* High yield bonds are debt securities rated below investment grade (often called “junk bonds”). Junk bonds are speculative, involve greater risks of default, downgrade, or price declines and are more volatile and tend to be less liquid than investment-grade securities. Companies issuing high yield bonds are less financially strong, are more likely to encounter financial difficulties, and are more vulnerable to adverse market events and negative sentiments than companies with higher credit ratings.
- *Inflation Risk:* Inflation, deflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets. For example, wages and prices of inputs increase during periods of inflation, which can negatively impact rates of returns on investments.
- *Investments in Undervalued Assets:* Palmer Square Europe could seek to invest in Assets it believes to be undervalued. The identification of these investment opportunities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.
- *Loan Participations:* A CLO can hold 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 might 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 Europe will acquire participations only if the seller of the participation is determined by Palmer Square to be creditworthy.

- *Leverage:* Leverage will be employed by each CLO, including, without limitation, through the use of borrowed funds and the issuance of CLO Securities. As a result, 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 could result in immediate and substantial losses.
- *LIBOR Replacement Risk:* The U.S. Dollar London Interbank Offered Rate (“LIBOR”), which was commonly used as a reference rate within various financial contracts (any such rate, a “Reference Rate”), ceased being published after June 30, 2023. In anticipation of the end of LIBOR, the United States and other countries have worked to replace LIBOR with alternative Reference Rates. The Secured Overnight Financing Rate (“SOFR”) is the Reference Rate recommended by the Alternative Reference Rates Committee (the “ARRC”). The ARRC and regulators have stated that any party choosing another Reference Rate should do so carefully. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which the Fund is a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants. Clients will be party to SOFR-based contracts, and may be a party to contracts utilizing other alternative reference rates. Clients should be aware that the market continues to develop in relation to SOFR as a Reference Rate and as an alternative to LIBOR. In particular, market participants and relevant working groups are exploring alternative Reference Rates based on SOFR. The market or a significant part thereof may adopt an application of SOFR that differs significantly from that referenced in an Investment. Considered in their entirety, the impacts of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which a client is a party may adversely affect the performance of the applicable client account.
- *Liquidity:* A CLO’s Assets can be less liquid or lack liquidity. In many situations, Palmer Square Europe can cause a CLO to invest in illiquid investments (including, without limitation, follow-on investments) which could result in significant loss in value should the CLO 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.

- *Monetary Policy and Governmental Intervention:* The U.S. Federal Reserve (the “Federal Reserve”) and global central banks, including the European Central Bank, have, in addition to other governmental actions to stabilize markets and manage inflation risks, steadily increased interest rates. It cannot be predicted with certainty when or how, these policies will change, but actions by the Federal Reserve and other central bankers have a significant effect on interest rates and on the U.S. and world economies generally, which in turn can affect the performance of a CLO’s Assets. Further financial crises could result in additional governmental intervention in the markets. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty.
- *New Asset Types:* While the types of Assets that can be held by each CLO are limited by the applicable CLO Documents, new investment instruments are continually developing, some of which could be permissible investments for a CLO. Investment in such instruments could involve material and as of yet unanticipated risks.
- *Non-U.S. Investments Risk:* A CLO could invest all or a portion of its assets in non-U.S. Assets and Assets that are denominated in non-U.S. currencies and/or traded outside of the United States. 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 is often 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 are not subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those to which U.S. companies are subject.
- *Pandemic Risks:* An outbreak of disease or similar public health threat, or fear of such an event could have a material adverse impact on the performance of client accounts. In addition, outbreaks of disease could result in increased government restrictions and regulation, including quarantines, which could adversely affect the firm’s operations. To date, the COVID-19 pandemic has significantly and negatively impacted the global economy, disrupted global supply chains, impacted labor markets and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the financial performance of client accounts, including the firm’s ability to execute a client account’s investment strategy in the expected time frame, will depend on future developments, including the duration and spread of the pandemic and the impact of the pandemic on local, national, and global financial markets, all of which are uncertain and cannot be predicted. An extended period of global supply chain and

economic disruption could materially affect the performance of client accounts, results of operations, access to sources of liquidity, and financial condition..

- *Prepayment Risk:* CLOs can invest in loans or other fixed income interests as to which the obligor or issuer has the right to prepay principal. If an obligor or issuer exercises that right earlier or at a higher rate than expected, the CLO could incur losses from being unable to recoup the initial investment and/or from having to reinvest in lower-yielding Assets. This can have an adverse effect on income, total return and/or price of the security. Prepayment risk tends to be highest in periods of declining interest rates.
- *Proprietary Investment Strategies:* Palmer Square generally uses investment strategies that are different than those typically employed by managers of traditional portfolios of stocks and bonds and can 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 a CLO will be closely correlated to each other in some market conditions, resulting (if those returns are negative) in significant losses.
- *Risk of Loss:* A CLO's Assets can be speculative and involve significant risk. The profitability of an investment depends upon a correct assessment of the future price movements of the Asset and of interest rates, which can be volatile and are subject to numerous factors which are neither within the control of nor predictable by Palmer Square Europe. There can be no assurance that Palmer Square Europe will be successful in accurately predicting price and interest rate movements. Accordingly, investors in a CLO could incur substantial losses on their investments, and it is possible that performance of the CLO will fluctuate substantially from period to period.
- *Risk Retention Rules:* Palmer Square Europe intends to act as collateral manager for "open market" CLOs and, as a result, do not intend to comply with the U.S. credit risk retention requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). However, Palmer Square Europe could act as collateral manager for CLOs in which Palmer Square Europe could decide to hold and retain certain CLO Securities issued by such CLOs in order to comply with EU, United Kingdom or Japanese credit risk retention regulations as an "originator" or "sponsor" (each as defined in the applicable regulations) in order for such CLO to comply with such regulations. Additionally, Palmer Square Europe could hold CLO Securities in addition to the requisite risk retention amount. There has been very little guidance issued with respect to such risk retention regulatory regimes and therefore the regulatory environment in which any CLO intending to be structured to comply therewith is highly uncertain. There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by Palmer Square Europe, and the manner in which Palmer Square Europe holds credit risk retention interests, if any, will satisfy the applicable regulators. Credit risk retention regulations and the interpretation thereof in the U.S., in Europe, in



the United Kingdom and in Japan are subject to change, clarification and interpretation by governmental authorities and courts in a manner that could have an adverse effect on Palmer Square Europe, its affiliates, and any applicable CLOs and the investors therein. Despite our intent to only act as collateral manager for “open market” CLOs, it is possible that a governmental authority determines that any CLO managed by us is not an “open-market” CLO. As a result, Palmer Square Europe would no longer be in compliance with the U.S. credit risk retention requirements under the Dodd-Frank Act and could be required to acquire additional CLO Securities. If Palmer Square Europe fails to comply (or are unable to comply) with the U.S. credit risk retention requirements under the Dodd-Frank Act, such failure (or inability) could (i) result in significant negative reputational consequences, (ii) materially and adversely affect Palmer Square Europe’s ability to perform our obligations as collateral manager to any CLO and/or (iii) have a material adverse effect on the CLOs managed by Palmer Square Europe. Failure to comply with one or more of the applicable credit risk retention requirements specified in the offering documents of a CLO that are intended to be complied with can result in a loss of liquidity for the CLO Securities issued by such CLO as well as various penalties for those investors subject to an applicable regulatory regime including, in the case of those investors subject to regulatory capital requirements thereunder, the imposition of a punitive capital charge on the CLO Securities acquired by the relevant investors and/or the requirement to take corrective action, as applicable. Aspects of the credit risk retention requirements and what is or will be required to demonstrate compliance to national regulators remain unclear.

- *Systems Risk and Cybersecurity:* Investment advisers, including Palmer Square, rely extensively on computer programs and systems (and expect to rely on new or updated systems and technology in the future) for various purposes, including trading, clearing and settling transactions, evaluating certain investments, monitoring portfolios and net capital and generating risk management and other reports that are critical to oversight of a CLO’s activities. Certain of the CLO’s and the Palmer Square’s operations will be dependent upon systems operated by third parties, including prime-broker(s), custodians, administrators, market counterparties and their sub-custodians and other service providers. These service providers are also likely to depend on information technology systems that might not be controlled by them and, notwithstanding the diligence that Palmer Square performs on its service providers, Palmer Square will not always be in a position to verify the risks or reliability of such information technology systems. Clients, Palmer Square, their affiliates and their service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users, as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. For example, information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and

telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Such damage or interruptions to information technology systems could cause losses to CLOs or their investors, without limitation, by interfering with the processing of transactions, affecting the ability to conduct valuations or impeding or sabotaging trading. Clients could also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose a client or Palmer Square (which in turn could be indemnified by clients) to civil liability as well as regulatory inquiry and/or action. Investors could also be exposed to losses resulting from unauthorized use of their personal information. Similar types of cybersecurity risks also are present for portfolio investments, which could affect their business and financial performance, resulting in material adverse consequences for such issuers and causing a CLO's investment in such portfolio investments to lose value.

- *Valuation Risk:* The sales price a CLO could receive for any particular portfolio investment could differ from Palmer Square's or a service provider's valuation of the investment, particularly for Assets that trade in thin or volatile markets or that are valued by Palmer Square or a service provider using a fair value methodology.
- *Highly Competitive Market for Investment Opportunities:* The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. In particular, in light of changes in such conditions, including changes in long-term interest rates, certain types of investments could be unavailable to a CLO on terms that are as attractive as the terms on which opportunities were available to previous investment programs sponsored by Palmer Square. Each CLO will be competing for investments with many other investors. Competition for appropriate investment opportunities can increase, thus reducing the number of investment opportunities available to the CLOs and adversely affecting the terms upon which investments can be made. Additionally, a CLO can incur due diligence costs, bidding costs, or other expenses on potential investments that are not successful. As a result, a CLO might not recover all of its costs, which would adversely affect returns. There can be no assurance that a CLO will be able to locate and complete investments which satisfy the CLO's rate of return objectives, or that it will be able to invest fully its committed capital. To the extent that a CLO encounters competition for investments, returns to investors can decrease.
- *Interest Rate Risk:* A majority of the collateral obligations held by any CLO will bear interest at floating interest rates. To the extent interest rates increase, periodic interest obligations owed by the related obligors will also increase. As prevailing

interest rates increase, some obligors might not be able to make the increased interest payments on their loans or refinance their balloon and bullet loans, resulting in defaults. Conversely if interest rates decline, many obligors will be able to refinance their loans at lower interest rates, resulting in prepayments and the risks related thereto, as discussed above under “*Prepayment Risk*”.

- *Contingent Liabilities:* A CLO will from time to time incur funding obligations or other contingent liabilities that could arise in the future in connection with an investment such as a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the CLO would be obligated to fund the amounts due. If a CLO is unable to pay its obligations when due, it could face significant penalties that could materially adversely affect its returns. CLOs sometimes enter into agreements pursuant to which it agrees to assume responsibility for default risk presented by a third party, or on the other hand, enter into agreements through which third parties offer default protection to the CLO.
- *Insolvency Considerations.* Various laws enacted for the protection of creditors in the U.S. will apply to obligations of U.S. obligors held by a CLO. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an obligor, such as a trustee in bankruptcy, were to find that the obligor did not receive fair consideration or reasonably equivalent value for incurring the related indebtedness and, after giving effect to such indebtedness, the obligor (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such obligor constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the obligor or to recover amounts previously paid by the obligor in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an obligor would be considered insolvent at a particular time if the sum of its debts were then greater than the fair value of all of its assets or if the present fair salable value of its assets were then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. However, there can be no assurance as to what standard a court would apply in order to determine whether the obligor was “insolvent” after giving effect to the incurrence of the indebtedness constituting the CLO Asset or that, regardless of the method of valuation, a court would not determine that the obligor was “insolvent” upon giving effect to such incurrence. In addition, in the event of the insolvency of an obligor of a collateral obligation, payments made on such collateral obligations could be subject to avoidance as a “preference” if made within a certain period of time (which can be as long as one year under federal bankruptcy law or even longer under state laws) before insolvency. In general, if payments on obligations owned by the CLO are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured, either from the initial recipient (such as the CLO) or from subsequent transferees of such payments (such as the

holders of CLO Securities). To the extent that any such payments are recaptured from a CLO, the resulting loss will have a material adverse effect on the ability of the CLO to fulfill its debt obligations on its CLO Securities. Insolvency considerations for obligations of non-U.S. obligors will differ from the foregoing.

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

## **Item 9 – Disciplinary Information**

Not applicable.

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

As noted above, Palmer Square Europe is part of Palmer Square. Palmer Square, through Palmer Square Europe and other affiliated entities, advises institutions, high net worth individuals and pooled investment vehicles, including investment companies registered under the Investment Company Act, a business development company, a private credit company, U.S. and non-U.S. domiciled private investment funds structured as hedge funds and funds of hedge funds, collective investment trusts, and collateralized loan obligations, collateralized debt obligations and Warehouses. CLOs advised by Palmer Square Europe are not expected to invest in any Palmer Square Fund.

### **Registered Funds**

Palmer Square advises pooled investment vehicles that are registered as investment companies under the Company Act, including closed-end and open-end funds (“Palmer Square Registered Funds”). Each Palmer Square Registered Fund pursues a distinct investment program that is set forth in its registration statement. Certain employees of Palmer Square serve as officers for one certain of the Registered Funds.

### **Business Development Companies**

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

### **Private Credit Companies**

Palmer Square Private Credit Management LLC (“Palmer Square Private Credit”), is a related adviser of Palmer Square. Palmer Square Private Credit is majority owned and controlled by Palmer Square Management. Palmer Square Private Credit serves as investment adviser to a private credit fund (“Private Credit Fund”) which primarily lends to and invests in corporate debt securities of companies, including small to large private U.S. companies. Palmer Square has entered into a resource sharing agreement with Palmer Square Private Credit, pursuant to which Palmer Square provides Palmer Square Private Credit with access to the resources of Palmer Square, including the investment and operations teams. Palmer Square maintains policies and procedures designed to manage and monitor the conflicts of interest presented to Palmer Square and its clients in connection with the provision of services to Palmer Square Private Credit.

## **Collective Investment Trusts**

Palmer Square also advises collective investment trusts that allow for the collective investment of assets of certain trusts, including those related to tax qualified pension and profit sharing plans and governmental plans.

## **Private Funds**

Palmer Square manages the Palmer Square Private Funds on a discretionary basis, in accordance with the investment strategy description and the terms and conditions of the Palmer Square Private Fund's offering and organizational documents and any relevant supplements to those documents. Certain Palmer Square Private Funds advised by Palmer Square make investments in the equity and/or debt securities of affiliated CLOs, CDOs and Warehouses, and can serve as risk retention providers to affiliated CLOs, CDOs or Warehouses, including those sponsored or advised by Palmer Square Europe. As noted above, the Palmer Square Investing Clients own interests in each Investment Series and Originator Series of Palmer Square Europe.

## **Real Estate**

Palmer Square Real Estate Management LLC ("Palmer Square Real Estate"), is an affiliate of Palmer Square. Palmer Square Real Estate is majority owned and controlled by Palmer Square Management. Palmer Square Real Estate serves as manager to private investment vehicles that primarily invest in direct real estate interests. Palmer Square has entered into a resource sharing agreement with Palmer Square Real Estate, pursuant to which Palmer Square provides Palmer Square Real Estate with access to the resources of Palmer Square, including the investment and operations teams. Palmer Square maintains policies and procedures designed to manage and monitor the conflicts of interest presented to Palmer Square and its clients in connection with the provision of services to Palmer Square Real Estate.

## **Activities of Palmer Square Affiliates and Personnel**

Palmer Square affiliates serve as the general partner, managing member or investment manager (or in a similar capacity) for the Palmer Square Funds. Employees and affiliates of Palmer Square can hold significant investments in Palmer Square Private Funds and, from time to time, serve as a director of Palmer Square Private Funds (including the Palmer Square Investing Clients) or as officers or directors for Palmer Square Registered Funds or the Palmer Square BDC.

## **Shared Services Arrangements**

Palmer Square Management has entered into an agreement to act as a shared service provider to Palmer Square Europe pursuant to a shared services agreement (the "Shared Services Agreement") pursuant to which Palmer Square Management provides employees and performs certain back-office, credit analysis and reporting functions, among other services. Similar arrangements are in place between Palmer Square Management, Palmer Square BDC Advisor LLC and Palmer Square Private Credit (together with the Shared Services Agreement, the "Shared Services Arrangements").

## **Registered Representatives of a Broker Dealer**

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

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

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



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

### **Code of Ethics**

Palmer Square has adopted a code of ethics (“Code of Ethics”) that sets forth the standards of conduct expected of its supervised persons, certain personnel as defined under the Code of Ethics, and requires compliance with applicable securities laws and which is applicable to Palmer Square Europe and its supervised persons. In accordance with Rule 204A-1 under the Advisers Act, the Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information or the appearance of unlawful personal trading and other business activities by Palmer Square or any of its supervised persons. The Code of Ethics also requires that certain of Palmer Square’s supervised persons (“access persons”) report their personal securities holdings and transactions and obtain pre-clearance of personal trades involving Restricted Securities, Initial Public Offerings or Limited Offerings, as defined under the Code of Ethics. Palmer Square personnel that are registered with Foreside, and their immediate family members, are prohibited from participation in initial public offerings.

Our Code of Ethics and compliance manual also include provisions related to the confidentiality of Client information, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. Our goal is to protect our Clients’ interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with Clients. All our employees are expected to adhere strictly to these guidelines and must acknowledge that they received, read, understand and are in compliance with the Code of Ethics on an annual basis.

If an access person is aware that Palmer Square is purchasing/selling or considering for purchase/sale any security on behalf of a client, the access person is not permitted to effect a transaction in that security for his or her own account, directly or indirectly, until the transaction is completed for all clients or until a decision has been made not to purchase/sell such security on behalf of clients. This does not include transactions for accounts that are executed as part of a block trade within a managed strategy or for accounts over which the access person has no direct or indirect influence or control. These requirements are also 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; (iv) shares issued by other mutual funds other than Palmer Square Registered Funds; and (v) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds, none of which are Palmer Square Registered Funds.

Supervised persons are prohibited from trading, either personally or on behalf of others, while in the possession of material, nonpublic information, nor are any personnel of Palmer Square permitted to communicate material, nonpublic information to others in violation of the law. Furthermore, all access persons are required to submit information to the Chief Compliance Officer detailing all outside business activities. The Chief Compliance Officer will review and approve these activities on a case by case basis.

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

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

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

As described above, Palmer Square serves as the manager to a variety of investment products. Persons associated with Palmer Square can have significant investments in these products. Palmer Square advises, and expects to organize or advise in the future, clients (including Palmer Square Funds and CLOs) that invest in investments that are similar to or different from the CLOs advised by Palmer Square Europe. The management of these clients can conflict in some circumstances. This conflict of interest is also present where Palmer Square investment personnel provide services to another Palmer Square entity pursuant to a Shared Services Arrangement or resource sharing arrangement to the extent that clients serviced by personnel subject to such arrangements have similar investment strategies. For example, we could determine that an investment opportunity is appropriate for a particular client, but not for another. Although Palmer Square Europe advises only CLOs, Palmer Square has different types of clients that are subject to different regulations, which can impact the investment activities of Palmer Square Europe on behalf of the CLOs. Different clients have different investment strategies, objectives and restrictions and are subject to different terms. These terms include, but are not limited to: investor lock-up periods, management and performance fees, liquidity terms, rights to receive information regarding the portfolio and such other rights as are negotiated from time to time by a client or investor. As a result, in certain circumstances we have an incentive to favor one account over another when making investment decisions.

In allocating investment opportunities among clients, there will be instances where some clients are able to participate in an opportunity while other clients are not. Where accounts have competing interests in a limited investment opportunity, we might allocate investment opportunities on the basis of a variety of factors and considerations, including, without limitation, a client's cash flows, investment objectives and restrictions, participation in other opportunities, compliance with applicable laws, and tax concerns as well as the relative size of different accounts' same or comparable portfolio holdings, rather than allocating on a pro rata basis, if we believe that doing so is fair and equitable over time.

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

Palmer Square provides a variety of services for, and advice to, various clients, including issuers of securities that Palmer Square can recommend for purchase or sale by clients. In the course of

providing these services, Palmer Square could come into possession of material, nonpublic information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Palmer Square and its personnel are generally prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, including the CLOs.

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

### *Principal and Cross Transactions*

Although principal and cross transactions can have certain advantages for a CLO, they also present significant conflicts of interest.

Due to EU Securitization Laws (discussed below), Palmer Square Europe expects that each CLO that has elected to comply with the EU Securitization Laws could engage in principal transactions, as Palmer Square Europe currently interprets the EU Securitization Laws to require, for transactions where securities are issued and sold to EU Affected Investors (as defined below), that Palmer Square Europe originate at least five percent of the nominal value of the target par amount of loans to be acquired by these CLOs by the effective date of the CLO. As discussed below, an Originator Series of Palmer Square Europe will "originate" loans by gaining credit exposure to such loans for a certain period of time (the "seasoning period", which is typically 15 business days) for purposes of the EU Securitization Laws in one of two ways: (i) an Originator Series of Palmer Square Europe would identify a loan in the secondary market that it believes might be appropriate for the CLO and for which origination treatment could ultimately be desired, acquire the loan through such Originator Series, hold the loan in such Originator Series for a period of time (the seasoning period) and, if approved, then transfer the loan to the CLO through a principal transaction or (ii) alternatively, an Originator Series of Palmer Square Europe could enter into a conditional sale agreement (a "Conditional Sale Agreement") with the CLO under which the CLO shall identify a loan in the secondary market and subject such loan to the terms of the Conditional Sale Agreement. Pursuant to the Conditional Sale Agreement, in the event such loan becomes ineligible to be purchased by the CLO during the seasoning period (for example, during the seasoning period, it does not satisfy certain conditions precedent on the relevant purchase effective date to the CLO, including if such obligation becomes defaulted, credit impaired or otherwise does not satisfy the eligibility criteria), the CLO shall have the right to require the relevant Originator Series to purchase from it the affected loan for the same purchase price as the CLO committed to purchase and settle such loan. Any sales made pursuant to the Conditional Sale Agreement would constitute a principal transaction.

CLOs could also engage in principal transactions even if not subject to EU Securitization Laws as principal transactions can be appropriate for other reasons. For example, a CLO could buy a security from, or sell a security to, Palmer Square or a Palmer Square Fund of which 25% or more of the ownership interests (by value) are held by Palmer Square or its personnel and related persons (a “principal fund”). Because of the conflicts of interest associated with principal transactions, Section 206(3) of the Advisers Act prohibits an adviser from completing a principal transaction unless it provides the client with prior written disclosure of the terms of the transaction, and conflicts associated therewith, and obtains the client’s consent prior to settlement.

Cross-trades among CLOs or between a CLO and a Palmer Square Fund (or other Palmer Square client), where neither is a principal fund are not principal transactions, but still could represent a conflict of interest due to, for example, different compensatory or pecuniary interests. As a result, for both principal trades and cross-trades, Palmer Square Europe will first determine that the trade is fair and equitable to each participating client and not contrary to the interests of either client. CLO Documents can include additional requirements related to principal transactions and cross-trades, which generally provide that disclosure with respect to a CLO principal transaction will be provided to the CLO’s board or a designated party and their approval granted prior to settlement of the principal trade.

Additionally, pursuant to our policies and procedures, principal and cross trades involving loans are executed at fair market value, as determined by Palmer Square and, in the case of principal trades, disclosed to the CLO’s board or other representative designated by the CLO or the board for this purpose, which will be independent of Palmer Square. Palmer Square seeks to value a CLO’s Assets in good faith and in accordance with its valuation procedures. Because the CLOs’ Assets are generally not publicly traded, values can be difficult to determine. Thus, even though determined in good faith, valuations require the application of a significant amount of judgment, are inherently uncertain, will fluctuate and are often based on estimates and assumptions. Palmer Square’s determination of the fair value of an asset could differ materially from the values that would have been applied if an active market for the asset existed and from the price at which such asset can ultimately be sold. Differences in fair value and actual sale value could adversely impact a CLO.

#### *Financial Interests in CLO Transactions*

In accordance with the risk retention requirements promulgated under Regulation (EU) 2017/2402 (the “EU Securitization Regulation”, and together with any supplementary regulatory technical standards, implementing technical standards and any guidance adopted in relation thereto by the European supervisory authorities, each as in force from time to time, the “EU Securitization Laws”), Palmer Square Europe expects to hold EU Retention Interests in the CLOs and CLO warehouses it manages in order for such CLOs and CLO warehouses to satisfy the EU Securitization Laws where securities issued in a securitization transaction are sold to certain specified types of European Union investors such as credit institutions and investment firms (including consolidated affiliates thereof, wherever located), authorized alternative investment fund managers who manage and/or market their alternative investment funds in the European Union, insurance and reinsurance undertakings UCITS funds (internally managed) and management companies thereof, and institutions for occupational retirement provisions (subject

to some exceptions), each as set out in the EU Securitization Regulation (the “EU Affected Investors”).

An “EU Retention Interest” is a material net economic interest (within the meaning of the EU Securitization Laws), which can be held in a number of prescribed forms, most typically through (i) a “vertical slice” of not less than 5% of the nominal value of each tranche of securities issued to investors on the related closing date, or (ii) a “horizontal slice” of not less than 5% of the aggregate balance of the assets in the portfolio in the form of a first loss or “equity” tranche.

The EU Securitization Laws generally require an “originator” to originate a portion of the loans acquired by a CLO and to acquire and retain an EU Retention Interest as described above. The EU Securitization Laws currently do not specify the percentage of loans which an originator who is also acting as the collateral manager must originate; however, industry practice is that a manager-originator should originate at least 5% of the target par amount of loans to be acquired by the CLO by the effective date for such CLO. To satisfy the EU Securitization Laws (as required where securities are issued to the EU Affected Investors), Palmer Square Europe intends to: (i) hold the EU Retention Interest of each CLO in its Investment Series; (ii) through its Management Series, act as the collateral manager for such CLO; and (iii) through its Originator Series, originate a portion of the loans to be held by such CLO, either by purchasing such loan and selling it on the CLO or by subjecting itself to the credit risk of such loan during a seasoning period pursuant to a Conditional Sale Agreement, as described above.

There has been no explicit guidance regarding whether entities can be structured for this purpose, and therefore the regulatory environment in which any such structure intends to operate is highly uncertain. There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by Palmer Square Europe and its affiliates, and the manner in which they expect to hold retention interests, will satisfy the EU Securitization Laws. The EU Securitization Laws are subject to changes, clarifications and interpretations by governmental authorities that can have an adverse effect on Palmer Square Europe and its affiliates.

The EU Securitization Laws also include transparency and reporting requirements for the originators, “sponsors” (as defined in the EU Securitization Regulation) and issuers established in the European Union. Details of these requirements are subject to the adoption of secondary legislation that has yet to be finalized. EU Affected Investors are subject to a number of their own due diligence obligations under the EU Securitization Regulation and they must determine for themselves that any investment they make in a securitization satisfies such obligations. There are ongoing discussions at the EU regulatory level as well as between the market participants about the full jurisdictional scope of these requirements.

It is a requirement of the EU Securitization Laws that the “originator” not transfer its EU Retention Interest until the final maturity of the applicable CLO securities. Accordingly, Palmer Square Europe expects to covenant and agree with the issuer of each CLO it manages that it will not transfer the EU Retention Interest of such CLO other than in accordance with the EU Securitization Laws, as applicable.

## **Item 12 – Brokerage Practices**

Palmer Square maintains policies and procedures covering its brokerage practices reasonably designed to assure that Palmer Square seeks best execution of client transactions and that clients are treated fairly and equitably over time and which account for the Shared Services Arrangements.

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

When selecting broker-dealers or other intermediaries and negotiating rates for commissions or commission equivalents, Palmer Square seeks to obtain best execution for the CLOs, taking into account all relevant factors, including without limitation:

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

complex securities.

Accordingly, although the Palmer Square will seek competitive rates for commissions or commission equivalents, it will not necessarily obtain the lowest possible rates for client transactions.

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

### **Soft Dollar Practices**

Palmer Square Europe does not expect that the CLOs will invest in securities that trade on an agency basis through broker-dealers to which the CLOs pay commissions, as is the case in more traditional equity markets. However, consistent with long-standing industry practice in the fixed income and loan markets and subject to applicable law, Palmer Square can receive investment and research information that intermediaries provide for no charge to their customers in the ordinary course of business. To the extent Palmer Square receives research services, Palmer Square receives a benefit because it does not need to produce or otherwise pay for such research services. Therefore, we have an incentive to select or recommend intermediaries based on our interest in receiving products and services rather than solely on our Clients' interest in obtaining the best price. Palmer Square's selection of intermediaries on the basis of considerations which are not limited to applicable rates for commissions or commission equivalents can, at times, result in a CLO being charged higher transaction costs than it could otherwise obtain.

### **Cross Trades**

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

As discussed above, the CLO's board of trustees, or an independent review party appointed for such purpose by the board or by noteholders, is generally responsible for consenting on behalf of the CLO to Private Fund to any transaction for which consent is required under the Advisers Act or the CLO Documents. Any consent given by an independent review party on behalf of a CLO would be binding upon all investors in the CLO. The CLO can agree to compensate an independent review party, reimburse an independent review party for their reasonable out-of-pocket expenses and to indemnify the independent review party to the maximum extent permitted by law.

## **Allocation of Investment Opportunities and Aggregation of Orders**

As discussed in Item 6 above, Palmer Square seeks to allocate, to the extent operationally and otherwise practicable, investment opportunities to each client in a fair and equitable manner over time, consistent with our fiduciary duties. To the extent the portfolio managers deem a particular investment suitable for more than one of Palmer Square's clients, such investment will be allocated or apportioned by Palmer Square between (or among) applicable clients to the extent the Palmer Square determines it is practicable and advisable to do so. Palmer Square recognizes that it will not always be possible (or consistent with the investment objectives of a client) for the same investment positions to be taken or liquidated at the same time or at the same price across all of Palmer Square's clients that are eligible to invest.

Palmer Square allocates investment opportunities among its discretionary clients, where appropriate, on a basis that Palmer Square deems fair and equitable over time, which generally results in *pro rata* allocations based on an appropriate metric or pre-determined methodology. However, Palmer Square is not required to allocate on a pro rata basis if, in its discretion, Palmer Square determines another manner would be fair and equitable on an overall basis to all applicable clients under the circumstances, taking into account relevant characteristics of each applicable client (in each case, both at the time of investment and on a prospective basis). Such characteristics include, among other factors, cash position, lot size, amount of available capital, investment objective, investment strategy, risk profile, liquidity, current portfolio holdings, overall portfolio composition, portfolio management personnel, trading activity, tax and legal considerations, timing and size of investor capital contributions and withdrawals, market conditions and other criteria deemed appropriate by the relevant party, in each case relative to each applicable client both at the time of the investment and on a prospective basis and the nature and extent of which differences will vary from client to client or between clients and other accounts, as relevant. A CLO might not participate in any particular investment opportunity on a pro rata basis with other clients or at all.

When Palmer Square seeks contemporaneously to purchase or sell the same investment for multiple clients, it can execute component trade orders for participating clients where it believes aggregation is practical and in the best interest of all applicable clients. However, there could be circumstances where Palmer Square determines not to trade on an aggregate basis even though the orders otherwise could have been aggregated or cases where aggregation is not feasible.

The aggregation of client trade orders does not ordinarily adversely affect commissions charged and execution prices, and in many cases results in reduced cost and more efficient and favorable execution. Although the aggregation of trade orders is expected to benefit Palmer Square's clients overall and over time, aggregation could, in any particular circumstance, disadvantage one or more clients. All clients participating in a block trade generally will receive the average price and pay a proportional share of any commission and other transactions costs, subject to minimum ticket charges.

While Palmer Square believes that its allocation practices, including transacting on an aggregate basis benefits clients by promoting fair and equitable treatment over time, clients should be aware that:



- Executing transactions for multiple clients on an aggregate basis could decrease the prices that would have been received, or increase the prices that would have been paid, by some clients if transactions were not executed on an aggregate basis.
- Palmer Square could be limited in its ability (or be unable) to allocate certain investments due to a variety of factors, including legal, regulatory, tax, trading or other contractual restrictions or counterparty-imposed or market-driven trading limitations applicable to one or more CLOs or other Palmer Square clients contemporaneously purchasing or selling an investment.
- Palmer Square could be restricted in its ability to aggregate trades or allocate transactions involving simultaneous or related investments in the same portfolio company in the context of investment transactions involving certain Palmer Square Funds, including the Palmer Square BDC.
- If deemed appropriate by Palmer Square in any given circumstance, including for administrative convenience or efficiency, the allocation of a particular investment between (or among) clients can be rounded. Non-pro rata allocations or deviations from pre-determined allocations are permitted in the interest of placing round lots in client accounts.
- Allocations to certain clients could be limited or precluded in light of legal restrictions or other limitations on the investment mandate applicable to the client's outstanding investment interests, such as, for example, securities laws restrictions or CLO investment restrictions or concentration limits.
- In some circumstances, an investment opportunity will be allocated to certain clients first in satisfaction of applicable risk retention requirements or other legal or regulatory conditions.

## **Item 13 – Review of Accounts**

### **Account Reviews**

Each CLO will have at least one assigned portfolio manager. On a daily basis, the portfolio manager(s) and analysts monitor events relating to the investments held by the CLOs, including their performance and credit quality. The CLO Documents for each CLO contain certain investment restrictions and other tests, such as detailed coverage tests, portfolio profile tests, and/or collateral quality tests that are monitored. For the CLOs, the trustee prepares schedules of fees and expenses, distributions and dividends (the “priority of payment waterfalls”), which are reviewed and agreed to by Palmer Square. On at least a monthly and quarterly basis (as applicable), Palmer Square reviews investment holdings for compliance with their respective investment guidelines as set forth in the CLO Documents.

### **Reports**

As a general matter, investors in a CLO will receive from the trustee monthly reports detailing the CLO’s portfolio and all related portfolio metrics and guidelines and quarterly reports detailing all cash flows, which Palmer Square Europe reviews for accuracy and completeness.

Prospective investors in a CLO should review the relevant CLO Documents for more information on the reports provided. Certain investors in a CLO can request additional information relating to the CLO or Palmer Square Europe’s services, which Palmer Square Europe can elect to provide, subject to limitations imposed by confidentiality agreements.

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

As discussed above in Item 10, Palmer Square, at its own expense, pays Foreside, a registered broker-dealer, a fee for certain distribution related services for certain Palmer Square Funds and can enter into similar distribution arrangements in connection with the CLOs.

## **Item 15 – Custody**

Palmer Square Europe does not expect to have custody of the CLOs' funds or securities for purposes of the Advisers Act.

## **Item 16 – Investment Discretion**

The CLO Documents for each CLO grant Palmer Square Europe discretion to manage the CLO's portfolio, subject to the detailed description of such CLO's specific investment objectives, eligibility criteria and investment guidelines, policies and restrictions set forth therein. While Palmer Square Europe has sole discretion to pursue any investment strategy on behalf of a CLO that is not prohibited by the applicable CLO Documents, and to modify the strategy from time to time in the future without the approval of or prior consultation with any other person, the CLO Documents typically place significant restrictions on Palmer Square Europe's ability to buy and sell collateral obligations on behalf of the CLO. Accordingly, as a result of such restrictions, Palmer Square Europe could be unable to buy or sell assets on behalf of a CLO or to take other actions which it might otherwise consider in the best interests of such CLO and the holders of the CLO Securities.

Palmer Square Europe neither tailors its advisory services for the CLOs to the individual needs of any CLO investor nor accepts investor-imposed investment restrictions.

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

While the CLOs generally do not hold securities which solicit proxies, Palmer Square Europe could be called upon to provide (or withhold) consent to proposed modifications to loan terms and covenants. Palmer Square Europe will act on the CLO's behalf in these circumstances only to the extent permitted by the applicable CLO Documents and Palmer Square Europe's determination of the CLO's best interest. Palmer Square Europe faces conflicts of interest in making a consent decision as to a loan where Palmer Square has a business relationship with the obligor, a related sponsor or another party with an interest in the outcome of a consent request. Conflicts also arise in the event a senior executive or other person connected with the obligor or another party with an interest in the outcome of a consent request has a significant relationship with Palmer Square or its personnel.

Palmer Square Europe has adopted and implemented policies and procedures that it believes are reasonably designed to assure that consents decisions are made in the best economic interest of the CLOs. Under these policies and procedures, decisions as to proxies or consents for the CLOs are made by Palmer Square Europe's senior officers who are responsible for monitoring the CLO's investments. To identify potential conflicts of interest, Palmer Square Europe requires that anyone involved in the decision making process disclose to Palmer Square's Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a vote. If it is determined that a material conflict or potential material conflict exists with respect to a proxy or consent, our Chief Compliance Officer, or appropriate designee, will work with appropriate personnel to agree upon a method to resolve such conflict before acting.

You can obtain a copy of Palmer Square's relevant policies and procedures and/or information as to how Palmer Square Europe exercised voting or consent rights on behalf of a CLO in which you have invested by contacting Palmer Square's Chief Compliance Officer at (816) 994-3200.

## **Item 18 – Financial Information**

As of the date of this Brochure, the Palmer Square Europe has nothing to report.