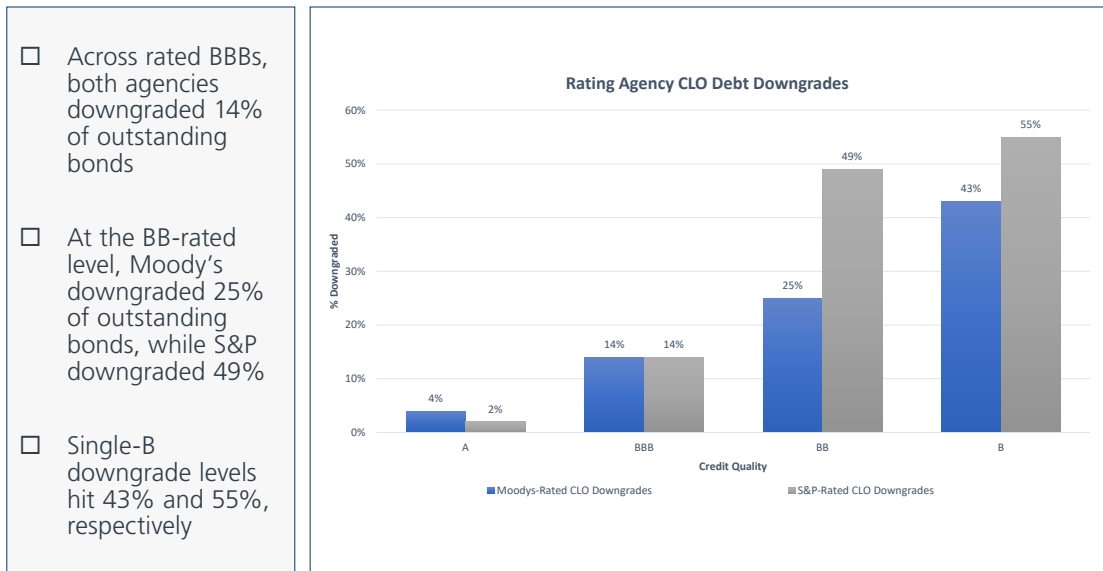


January 2021

Remember the Rating Agency Downgrades of 2020? How Did Palmer Square’s Conservative Approach to CLO Investing Fare In a Difficult Environment?

Palmer Square has compiled the following analysis that examines the sweeping downgrade actions in CLOs in 2020 by both Moody’s and S&P. We then look to analyze how this compares to CLO debt issued by Palmer Square and 3rd-Party CLO Debt owned by Palmer Square.

Moody’s-Rated and S&P-Rated CLO Debt Downgrades



Source: Moody’s, S&P, as of 1/1/2020 - 9/30/2020

Palmer Square-Issued CLO Debt

In the table below, we illustrate the lack of agency downgrades across Palmer Square-issued CLOs. We experienced a 0% downgrade rate, which ranked us as one of only 9 managers out of a total of 128 CLO managers to do so¹. Of this group of 9 managers, we have also issued the most outstanding deals at 21. Palmer Square is extremely proud of these metrics and believes they are a testament to our seasoned investment team and comprehensive investment process.

CLO Debt Rating	Palmer Square Downgrade %	S&P Downgrade %
A	0%	2%
BBB	0%	14%
BB	0%	49%
B	0%	55%

Source: Palmer Square as of 1/1/2020 - 1/04/2021

¹Source: BAML, Intex. As of 01/04/2021. Only includes managers having issued 3 or more CLOs since 01/01/2012, at least one CLO must have been issued 2016 or earlier, and none of the manager’s CLOs since 01/01/2020 have been downgraded. Out of 128 CLO managers, only the 9 managers meet the criteria.

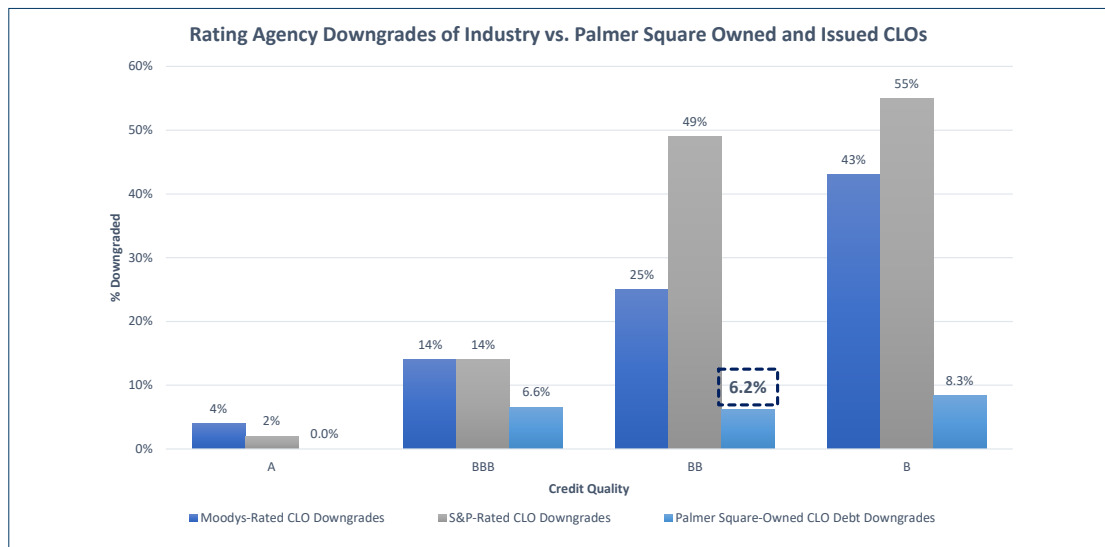
We believe the fact that no piece of Palmer Square-issued CLO debt was downgraded during this period is a boon to our valued clients who invest in our CLO equity (both directly and through our various private funds). Maintaining the ratings on our debt is a key component to ensuring the continuation of cash flow distribution to our equity investors (none of Palmer Square's CLOs had cashflows diverted during this period). Furthermore, we believe these results will continue to drive institutional market demand for Palmer Square-issued CLO debt, which in turn can potentially reduce financing costs and potentially increase CLO equity investor IRRs.

Palmer Square-Owned CLO Debt

Across the Firm's mutual funds, private funds, and managed accounts, Palmer Square also invests in "3rd-party CLO debt", or CLOs managed by other managers. As a refresher, CLO debt trades very similarly to corporate bonds. Each piece of debt has a CUSIP and settles T+2. The asset class trades daily in an active, continually growing, and predominately institutional market.

When investing in 3rd-party CLO debt, Palmer Square seeks to maintain a more conservative approach, with the goal of identifying CLOs with strong collateral pools, attractive deal terms, and managers with a proven track record.

In the chart below, using BB-rated CLOs as an example, S&P downgraded 49% of S&P-rated BB CLOs, while Moody's downgraded 25% of Moody's-rated BB CLOs. **Only 6.2% of BB-rated CLOs owned by Palmer Square were downgraded by these agencies.**



Source: Moody's, S&P, Palmer Square, as of 1/1/2020 - 9/30/2020

From a CLO debt investor perspective, we believe this not only underscores the quality of the debt in which we invest, but also provides the potential for less volatility and higher liquidity.

Summary

In summary, we believe our conservative approach to investing in CLOs and issuing CLOs is a significant benefit to our cherished clients, and allowed us to better weather the storm during market volatility resulting from COVID-19. Please do not hesitate to contact us at investorrelations@palmersquarecap.com or 816-994-3200 should you desire more information. We would also be happy to set up a call at your convenience.

About Palmer Square

Founded in 2009 and based right outside of Kansas City, Palmer Square manages approximately \$13.7 billion in fixed income/credit investments on behalf of a diverse client base inclusive of institutional investors, wealth management firms, and high net worth individuals (as of 11/30/2020). The firm offers mutual funds, separately managed accounts, and private partnerships (including investments focused on the CLO market).

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