PALISADE CAPITAL

Our Market View in Summary — April 2025

In April and early May, markets were a rollercoaster, whipsawed by tariff-related headlines and amplified by quant-driven trading strategies. The "Liberation Day" event on April 2nd sparked a brutal sell-off, the fastest since the COVID crash and the 2008 Global Financial Crisis—only for a 90-day tariff pause to ignite a stunning rebound, with the NASDAQ index logging its second-largest daily percentage gain ever. Losses from early April evaporated by month’s end, yet the economic risks for the rest of 2025 loom larger than they did two months prior, clouded by trade uncertainties and their ripple effects.

Key Highlights:

- Volatility Reigned: Markets swung wildly, with the VIX/VXV ratio surging above 1.2x. This mirrored the fear spikes in early 2020, summer 2015, and summer 2011, which coincided with sustainable bottoms in the stock market
- Economic Warning Signs: Q1 2025 GDP turned negative for the first time since Q1 2022, a red flag for slowing economic momentum
- Services Holding Steady: The US Services PMI softened but stayed above 50, signaling expansion, while acknowledging that the trend since the start of the year has been lower

Near-Term Outlook:

- Tariff Pause Potential: The 90-day breather could pave the way for trade deals, giving investors a clearer roadmap for capital allocation
- Trade Disruptions: Shipping traffic from China to the US has plummeted 50% in recent weeks, a harbinger of near-term economic strain
- Resilient Foundations: Robust US job growth and manageable consumer debt offer a buffer against short-term shocks
- Cautious Optimism: We see the fear-driven volatility spike as a possible market bottom, but we’re keeping a sharp eye on the ongoing economic data to advise on whether we need to change our cautiously optimistic positioning in a rapidly changing, headline driven market

The market turbulence and mixed economic signals of April and May underscore the uncertainty tied to a seismic shift in global trade dynamics. The VIX/VXV spike suggests that we’ve hit a fear-driven floor, reminiscent of past bear market turnarounds, yet the uncharted nature of these trade disruptions demands vigilance. Our diversified model portfolios, with significant non-market-correlated holdings, are built to weather this storm while positioning for a sustainable recovery. We’re ready to pivot if economic surprises tilt the scales, balancing discipline with adaptability.

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April 2025

Fellow Palisade Investors and Friends,

Please find attached our April 2025 Monthly Update, which includes the Fund Fact Sheets for the Palisade Funds and a performance table for the various Palisade Wealth Management model portfolios. **This month's client conference call is scheduled for Thursday, May 15th at 11am MT.** The Teams Meeting details will be provided the morning of the call. In conjunction with this call, we will be emailing out a presentation that contains data and charts to further detail our thought process and outlook. We look forward to speaking with you then and answering any questions you may have. This call will include information on our investment funds, our broad market outlook, as well as an update on our Wealth Management model portfolios.

All Fund performance figures are shown net of fees and expenses and include changes in security values and distributions paid. Palisade Vantage Fund performance figures include the reinvestment of distributions. The Palisade Vantage Fund currently pays a regular quarterly distribution of $0.11 per unit, or $0.44 per unit per year. The Palisade Select Fund and Palisade Absolute Fund pay irregular annual distributions for years in which taxable net income is positive.

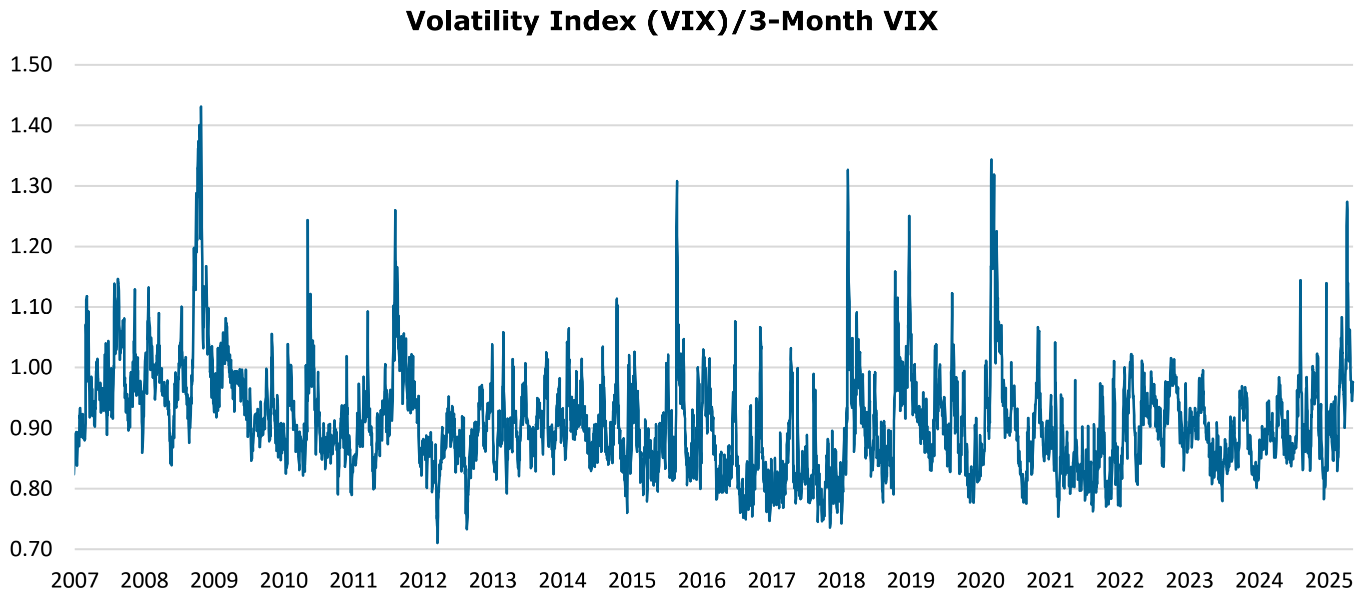
MARKET COMMENTARY

The bifurcated and headline driven market continued through April and into the early days of May. We use the word "bifurcated" because there is an "all or nothing" tone to the discussions around tariffs and their effect on stock markets. Trump's "Liberation Day" (April 2nd) led to the quickest downswing in markets since COVID and the Global Financial Crisis ("GFC"). Then, the announcement of a 90-day pause in tariff implementation resulted in the NASDAQ index having its second biggest daily percentage gain in history. Behind the scenes the quantitative driven trading strategies pushed markets much further in the direction of the predominant short-term trend. Moves in the stock market, both up and down, were accentuated by computer trading as headlines and flip-flopping from the US administration hit the newswires. We saw the market losses incurred in the first week of April reverse almost entirely in the back half of April, even though the economic risk for the balance of 2025 is clearly higher than it was two months ago.

So, the broad market indices are basically "even-Steven" (on a sector-by-sector basis it's a different story) over the last six weeks, but many questions remain and the economic outlook remains murky. Will aggressive tariffs be implemented? Will we have a recession? Will damaged political and economic relationships be repaired and normalized? Can the re-shoring of certain manufacturing jobs happen quickly enough to offset the job losses in other sectors?

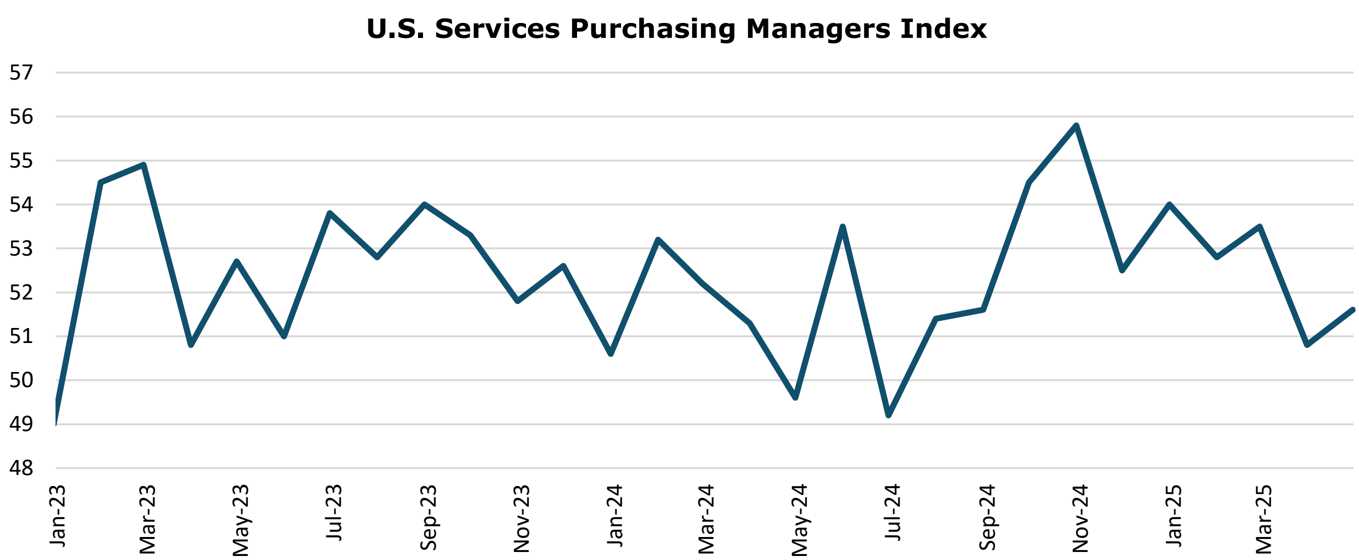
Investors are clearly sitting on the horns of dilemma at the moment. On the one hand, the economy in the US may be slowing as Q1 2025 GDP growth was negative for the first time since Q1 2022. On the other hand, the stock market did experience a negative sentiment capitulation in the first week of April that would historically line up with other bear market bottoms that occurred similarly during the pandemic in 2020 and the GFC in late 2008. Fear spiked, volatility increased dramatically, and investors lowered exposure to equities in response to the unknowns caused by the realigning of global trade protocols by the US. Said another way, everyone that wanted to sell has sold.

Below is a chart of the stock market Volatility Index (VIX) divided by the Volatility Index three months in the future (VXV). In a way, what this ratio is measuring is investors' desire/cost to buy portfolio insurance today versus the desire to buy it for the next three months. In the normal course, you would be willing to pay more for insurance three months out because you are covering more time and thus getting more insurance protection, so that is naturally worth more money. But what happens during times of extreme market volatility/risk/fear is that investors suddenly become willing to pay a big premium for insurance today (what the VIX index is measuring) because they don't know what could be coming tomorrow. They don't care what might happen three months from now, they care if tariffs will cut back economic activity tomorrow and they'll pay much more for insurance in that situation. When it costs more to buy insurance for today versus three months from now (i.e. a ratio above 1.0x), it is usually a sign that fear is at a peak and the markets are set up to bounce. Considering the chart below and stock market activity, it shows the ratio being above 1.2x as a decent entry point. Note the spikes in early 2020, summer 2015, and summer 2011 as high-quality entry points for new investors/capital into stock markets.



Source: Bloomberg

So, what happens next? Historically, we would lean more towards the extreme spike in fear as an indication that the market has seen the worst and that the near future likely remains choppy but constructive, as the economic data will work itself back into shape as greater clarity is achieved in trade negotiations. The 90-day pause in tariff implementation should allow for some trade deals to be announced and provide a clearer path for investors in making their capital allocation decisions.



Source: Bloomberg

On the other hand, certain economic data points are starting to slow, so we need to be cautious. The above chart shows the United States Services Purchasing Managers Index, which represents expectations and current activity for businesses that cover 70% of the US economy. This data has slowed since the beginning of the year, but still remains in a normalized range, and importantly is still above the 50 line which delineates between expansion and contraction of the economy. There is going to be an adjustment period to the new normal in global trade. This is something that we can monitor in near real time. Many other indicators look reasonably healthy in the historical context, but we see others that look more worrisome. For example, shipping traffic from China to the US looks to be down

50% in the last few weeks. Costs are going up and the US administration is starting to communicate a strategy of "don't worry about the short term, the long term is going to be great." If economic data starts surprising to the downside in the coming months we may see more downside risk in markets, but keep in mind that the US economy has come into this period of uncertainty in a strong place in respect to job creation and manageable levels of consumer debt.

Our position for now is that the panic driven spike in volatility and fear in April has generated a sustainable bottom in stock markets, while acknowledging that this position may need to change in the future given the fact that we haven't been through a world of massive change to global trade systems before.

PALISADE MODEL PORTFOLIOS UPDATE (Returns to March 31, 2025) Important Footnotes Below*

Below are the performance numbers for the various Palisade model portfolios, current to March 31st. An important point to emphasize is that the allocations of our model portfolios include a large number of investments that are not tied to the daily performance of the stock market, which should generally see these model portfolios exhibit much less volatility month-to-month, and most importantly, much less downside through challenging stock market periods.

	1-Yr	3-Yr	5-Yr	Description
Growth+ Portfolio	5.9%	6.8%	15.0%	Long-Term Growth Focus
Inflation+ Portfolio	7.2%	7.9%	9.6%	Low Volatility Growth/Inflation Protection
Income+ Portfolio	7.4%	5.4%	9.2%	Income / Moderate Growth Focus
Preservation+ Portfolio	5.2%	3.6%	6.5%	Capital Preservation Focus
Alternative+ Portfolio	7.4%	6.3%	9.6%	Uncorrelated Growth/Capital Protection

*Returns for periods longer than one year are annualized.
Please see the Model Portfolios Hypothetical Performance Disclaimer below.
The March 2025 monthly return for two constituent funds that are included in the Income+, Growth+ and Alternative+ Portfolios has been assumed as 0%.

PALISADE FUND COMMENTARY

The **Palisade Select Fund** ("PSF") was down 11.0% in April. The S&P/TSX Capped Energy Index ("Energy Index") was down 13.0% and the WilderHill Clean Energy Index ("ECO") was down 1.2% for the month.

Unfortunately, the energy sector took the brunt of the hit from tariff worries in April, and was further pressured by additional announcements of production coming back to market from OPEC+ over the next few months. OPEC+ has now announced that they will be bringing back 959,000 bbls/day of the 2.2 million barrels per day of production that has been curtailed since 2022. In light of the OPEC+ news, the weakness in the price of crude actually feels tame. In March, when OPEC+ first announced additional supply, it marked the low for the commodity and stock prices. In the most recent announcement of 411,000 bbls/day coming back to market, the commodity recovered back to pre-announcement levels in 48 hours.

So, on the one hand, the extra supply is clearly an incremental negative, but it is happening at a time of fear in broad markets with oil inventories at lows and share prices near the lows of their three-year range. A lot of negative news has been priced in at this point. It's also important to highlight that this announcement moves the OPEC+ production quota, but that likely won't be seen in total increased production. Countries like Iraq and Kazakhstan have been producing above their quotas for years and likely won't be increasing production further from here, so moving the OPEC+ quota up just gets the quota more in line with actual current production. Saudi Arabia will increase production, but Iraq will not – it will just be closer to its newly assigned quota.

In April, we put our approximate 10% cash position to work on April 9th and 10th and then we trimmed back a few positions a few days before month-end. The current cash position isn't particularly material at approximately 4%, but that remnant cash will likely be put into natural gas-oriented producers in the coming days. The PSF outperformance versus the Energy Index this month is partially due to the cash held early in the month and partially due to the PSF's exposure to natural gas stocks, which continue to generally outperform oil producers.

Weakness in the price of crude oil in the past month reflects concerns about supply, not demand. But that supply related weakness in oil should have nothing to do with natural gas and thus natural gas should be a relative outperformer if demand stays firm and the growth thesis around increased demand from electricity usage, artificial intelligence ("AI") server farms and a green energy alternative focus remains intact. A key fact that gives us confidence in the natural gas investment thesis is that the price for natural gas futures for the summer of 2026 and 2027 are now higher than they were before Liberation Day on April 2nd. In the short-term, the natural gas stocks came down because of their typical historical correlation to oil stocks, but in the long-term the investment thesis is very much intact and we have even more conviction in those names that traded down in April but have very high-quality assets like ARC Resources, Tourmaline, NuVista and Peyto (to name a few).

On the oil side of the portfolio, we continue to own a large position in Canadian Natural Resources, which continues to buy back shares and announce regular dividend increases. In addition, we own other heavy oil producers that will benefit from the narrower Western Canadian Select ("WCS") spreads like Athabasca, IPCO and MEG, which we believe will continue to show improved free cash flow and ongoing share buy backs. Athabasca has been particularly active on the buyback front.

The **Palisade Absolute Fund** ("PAF") was down 3.4% in April. The losses in the Fund this month are largely attributable to the risk management policies that we have had in place since the start of the Fund and the speed at which the market moved in April. We have a policy of lowering exposure in the PAF if losses reach 2.5% to 3% at any point during a given month. As mentioned in last month's commentary, we lowered exposure in the early days of April to lower the risk of large additional losses, but within a few days the market started its aggressive bounce, so we didn't participate in that rally to our desired extent. We did increase exposure in the PAF back to approximately 45% net long, in the middle of the month, but many of the types of stocks in our screens are "steady" in the way they trade, so the incremental returns in the back half of the month were not as large as those for some of the broad market indices.

As discussed above, we do think the market has made a sustainable low given the extreme amount of fear and pessimism that we saw in April, so our intent is to keep our net exposure at current levels, or higher, in the coming months. On a year-to-date basis the PAF is down 2.5%, which can be overcome in somewhat short order to build a reasonable return for the year.

The **Palisade Vantage Fund** ("PVF") was down 2.1% in April. For the month, the S&P/TSX Canadian Dividend Aristocrats Total Return Index ("Aristocrats Index") was up 0.2% while the S&P/TSX Composite Total Return Index ("TSX Composite") was down 0.1%.

The underperformance of the PVF versus the two indices mentioned above is largely due to our two holdings in energy royalty firms, Freehold Royalties (FRU) and Topaz Energy (TPZ). As mentioned above, energy was the hardest hit sector in April and that weakness extended into the royalty names as well. We aren't worried about these positions, and at current levels they represent good long term value propositions, partially due to the current dividend yields of 9.4% and 5.6%, respectively. Given the orientation of the stocks in PVF towards dividend yields, dividend growth and interest rates, we think the Fund will act more so in a defensive manner during volatile markets and will gain steam as we see incremental interest rate cuts from the Bank of Canada and the US Federal Reserve in the back half of the year.

Given the ongoing market uncertainty, we would encourage you to reach out at any time if you have questions about the markets or your investments with us.

THE PALISADE CAPITAL MANAGEMENT TEAM

Please note that it is the responsibility of each investor to inform Palisade Capital of any changes to the information provided to us on the most recently completed Know Your Client ("KYC") information form or subscription agreement. Please contact Marni Friesen at (403) 531-2673 or marni@palisade.ca to provide any such updates. If you no longer wish to receive the Monthly Update, please send an email to info@palisade.ca.

All Palisade Fund performance figures are shown net of fees and expenses and include changes in security values and distributions paid. Palisade Vantage Fund performance figures include the reinvestment of distributions. Income taxes would have reduced returns. The Funds are not guaranteed. Performance of the Funds will fluctuate and past performance may not be repeated. To establish relative performance yardsticks for the Palisade Funds, we provide comparative references to the S&P/TSX Composite Total Return Index ("TSXTR"), the S&P/TSX Capped Energy Index ("Energy Index") and the WilderHill Clean Energy Index ("ECO Index"). Those indices are relevant to our portfolio content however the TSXTR, Energy Index and ECO Index data is provided for general reference purposes and their content should not be construed as directly comparable to the content of the Palisade Funds.

Model Portfolios Hypothetical Performance Disclaimer:
The performance data presented for the Palisade Portfolios is hypothetical, is for illustrative purposes only, and does not constitute a live track record or any investor's actual experience. Its purpose is to demonstrate what the historical performance would have been for the Palisade Portfolios, effective the noted date, based on their constituent investment funds/strategies over time. The data is presented for a longer period of time than the Palisade Portfolios were actually available for investment. An investor's actual experience will vary due to, among other factors, investment timing, constituent security weightings, rebalancing frequency, the presence of securities beyond the Palisade Model Portfolios, and account fees and expenses.

The performance data is presented only for readers that have sophisticated investment knowledge sufficient to fully understand the risks and limitations of the hypothetical performance data. Readers with insufficient investment knowledge are strongly cautioned that they may not fully understand the risks and limitations of the hypothetical performance data and may reach unreliable conclusions in their review and interpretation of the data. The cautions, risks and limitations of hypothetical performance data outlined below may be insufficient to provide a reader with the understanding required to safely review and interpret the data in order to reach reliable conclusions relevant to their specific situation. Readers are strongly encouraged to discuss the hypothetical performance data with a Palisade Capital Advising Representative to ensure their understanding of the risks and limitations of such data.

Hypothetical performance results have many inherent limitations. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. No representation is being made that the Palisade Portfolios will achieve returns similar to those shown.

As the hypothetical performance data does not constitute a live track record, these returns may have under- or over-compensated for the impact, if any, of certain factors, such as lack of liquidity, taxes or the impact that material economic and market factors might have had on decision-making if investing real capital.

Performance does not include portfolio management fees, custodian fees or other related fees and expenses that an investor would have paid or actually paid, but is net of fees and expenses pertaining to the underlying investment fund holdings. Any mutual fund performance assumes the reinvestment of distributions while any exchange traded fund performance does not include transaction fees.

Performance integrates the earliest price date available for each holding and assumes monthly rebalancing. Some holdings may not have existed for the entire period shown. The holdings of the Palisade Portfolios are subject to change due to changes in Palisade Capital's views resulting from changing market and economic conditions or the performance of, or outlook for, the constituent holdings. The historical composition of the Palisade Portfolios may have differed from that currently presented.

Any information regarding past performance does not indicate or imply any guarantee of future performance. Further, investment results may vary substantially on a monthly, quarterly or annual basis. There can be no assurance that the Palisade Portfolios' investment objectives and net target returns will be achieved or that investors will receive a return on, or of, their capital. Actual results may differ. An investor may lose all of its investment in the Palisade Portfolios.

Hypothetical performance information shown in text, charts, tables and graphs is provided for informational and discussion purposes only and should not be considered investment advice or a recommendation to buy or sell any types of securities. An investor's actual portfolio must conform to their Investment Policy Statement established with their portfolio manager based on suitability determined through the portfolio manager's Know-Your-Client process.

The views expressed, including the descriptions and objectives of the Palisade Portfolios, are those of Palisade Capital Management Ltd. and are subject to change due to changing market and economic conditions and may not necessarily come to pass. There can be no assurance that the Palisade Portfolios will be able to achieve their objectives.