PALISADE CAPITAL

Our Market View in Summary — November 2025

This past month was defined by notable market divergences, most visibly where core quality Canadian companies trailed the broader S&P/TSX Composite Index while Canadian oil and gas stocks wildly outperformed their US counterparts. We also witnessed a decoupling within the AI sector, as capital rotated toward the Google/Gemini ecosystem in preference to the broader ChatGPT universe. As noted in previous commentaries, we view this rotation between themes, factors and sectors not as a sign of weakness, but as a reflection of a healthy market — a necessary calibration that should support a continued upward trajectory as we move into 2026.

Key Highlights:

- Sector Divergence: Core Canadian quality holdings faced relative underperformance compared to the broader index, partly driven by the onset of seasonal tax-loss selling.
- Energy Outperformance: The S&P/TSX Capped Energy Index rallied 8.4%, significantly outpacing US peers (XLE +2.6%, XOP +5.7%) as investors recognized the valuation catch-up and free cash flow focus of Canadian producers.
- AI Rotation: A distinct shift occurred within the technology sector, with equities linked to Google's Gemini offering outperforming those tied to the general ChatGPT theme.
- Selling Pressure: High-quality names across diverse sectors (including Constellation Software, Stantec, and the Canadian rails) saw pressure due to a mixture of AI-related competitive fears and year-end portfolio adjustments.

Near-Term Outlook:

- Opportunistic Entries: The recent weakness in a significant number of large-cap Canadian leaders (such as WSP Global, Intact Financial, and TFI International) provides a fertile hunting ground for high-conviction ideas entering 2026.
- Infrastructure Catalyst: Despite recent unexplained weakness, engineering firms remain prime beneficiaries of the expanded list of major infrastructure projects set to be fast-tracked in Canada.
- Cross-Border M&A: We anticipate US firms may look to acquire Canadian oil and gas assets as Permian growth wanes, supporting a continued bullish outlook for Canadian energy equities assisted by strong natural gas prices.
- Monetary Policy Shift: The potential appointment of a dovish US Federal Reserve Chairman, such as Kevin Hassett, early next year suggests a lower interest rate environment, which should drive stocks higher and stands as the most critical factor for market upside in 2026.

While the tax-loss selling season has created headwinds for some of our core holdings, it has simultaneously set up distinct buying opportunities for high-quality businesses with strong competitive moats. When combined with the continued validation of the Canadian energy thesis and the prospect of a more accommodating US Federal Reserve, we think the investing environment remains constructive.

Contacts:

Investment Matters:

James Anderson
Managing Director
(403) 531-2677
james@palisade.ca

John McAleer
Managing Director
(403) 531-2678
john@palisade.ca

Dan Zhigatov
Portfolio Manager
(403) 531-2674
dan@palisade.ca

Operations and Administration:

Denise MacINNES
Corporate Secretary & Director
(403) 531-2671
denise@palisade.ca

Marni Friesen
Administrator
(403) 531-2673
marni@palisade.ca

Jamie Duguay
Wealth Management Associate
(403) 531-2670
jamie@palisade.ca

Kseniia Suvorova
Sr. Wealth Management Administrative Assistant
(403) 531-2675
kseniia@palisade.ca

Business Development:

Blair McDermid
Director of Business Development
(403) 803-0107
blair@palisade.ca

November 2025

Fellow Palisade Investors and Friends,

Please find attached our November 2025 Monthly Update, which includes the Fund Fact Sheets for the Palisade Funds and commentary regarding the Palisade Wealth Management model portfolios. **This month's client conference call is scheduled for Thursday, December 11th at 11am MT.** The Teams Meeting details will be provided the morning of the call. This month we will have a guest speaker talking about the evolution of artificial intelligence (AI) and the opportunities that might arise for investors over the long term. We will also provide a condensed version of our market outlook as we have done in previous monthly calls. 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.

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 Horizon Fund pay irregular annual distributions for years in which taxable net income is positive.

MARKET COMMENTARY

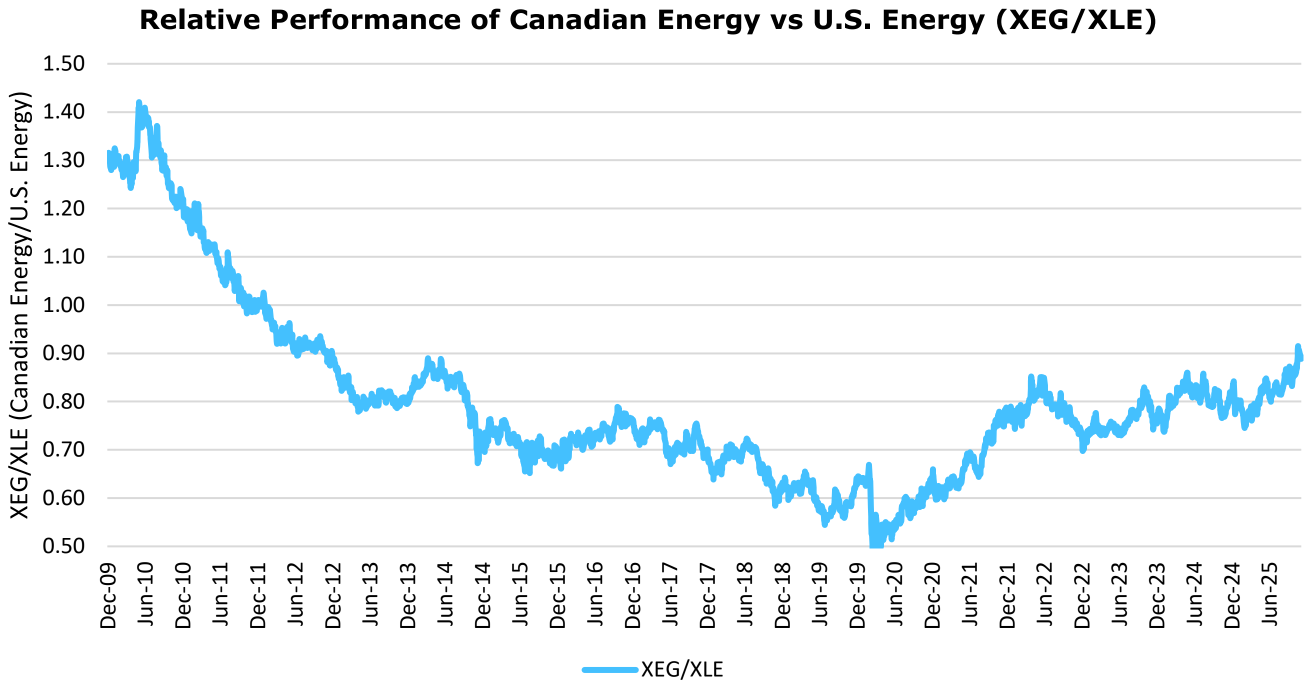
There were some interesting divergences in the market this past month. For example, core quality Canadian companies underperformed notably versus the broad S&P/TSX Composite index while Canadian oil and gas stocks wildly outperformed their US counterparts. AI stocks started to diverge from broader growth themes and even within the AI subgroup itself we saw stocks associated with Google and their Gemini AI offering outperform companies more closely tied to ChatGPT and their broader universe. As we have mentioned in previous commentaries, we think this rotation between sectors and themes is just a reflection of a healthy market, which should allow the markets to continue on an upward trajectory in 2026.

Let's highlight a few areas of recent relative underperformance that we think should be fertile hunting ground for new ideas into 2026. The first theme to highlight is tax loss selling. This happens every year from late November through mid-December, which has investors selling their losers to offset gains in their winners to minimize the tax impact for the calendar year. This year we have seen a large number of high quality core Canadian holdings come under pressure these last few months, which has put them in a position that may see further selling due to the tax loss impacts mentioned above. In some cases, the companies have sold off due to fears that their products might come under significant competitive pressure from AI. This would be the case for companies like Constellation Software or CGI Group. In other cases, it's hard to track down a real specific reason for recent weakness like in the case of Stantec or WSP Global. These engineering companies should be the beneficiaries of increased focus on infrastructure build out in Canada with the expanded list of major projects to be fast tracked in the country in the coming years.

Overall, there are at least ten large Canadian companies that may see some incremental pressure from tax loss selling in December, but which likely sets up great buying opportunities for 2026. Some other names would include Thomson Reuters, both CP and CN Rail, Intact Financial, Alimentation Couche-Tard, Descartes Systems Group and TFI International (aka Transforce). This is not to say that all of these names have to outperform in 2026, but it is worth noting the overall quality of the companies on this list and the wide dispersion of sectors in which they operate. Many of these names are core holdings for Canadian portfolio managers and they will likely continue to be core holdings going forward.

Another interesting divergence to point out this month is the relative outperformance of Canadian oil and gas stocks versus their US counterparts. The S&P/TSX Capped Energy Index (and the Palisade Select Fund) had an exceptionally strong month, trading up over 7% in November, while the US Energy Select Sector ETF (XLE) increased 2.6% and the US S&P Oil and Gas Exploration and Production

ETF (XOP) increased 5.7%. Investors in the Canadian oil and gas space have been in a mindset that Canadian companies can't attract investor capital due to our punitive regulatory environment and lack of clear pathways for growth, and yet, not only have Canadian producers outperformed in the month of November, they have generally outperformed their US peers since the COVID lows, with a meaningful period of outperformance in just the last few months.



Source: Bloomberg

We attribute this outperformance to a catch-up in valuations of the Canadian companies and their high-quality nature of operations since the companies started focusing on maximizing free cash flow generation and only the best assets within their portfolios. Recent M&A activity has brought additional capital into the sector as speculators guess who may be next. We haven't seen a major transaction yet, but there is building expectation that we will see US firms make acquisitions back into Canada as the growth opportunities in their Permian portfolios starts to wane. We continue to see the outperformance of energy stocks versus commodity prices and increased acquisition activity as a sign of optimism for commodity prices in the next few years.

On a completely separate note, and as an early heads up, it will be interesting to watch the stock market respond to the announcement of a new US Federal Reserve chairman early in the new year. Speculation already points towards a likely interest rate dove in Kevin Hassett being the Trump administration's likely appointee. This scenario points to notably lower interest rates, which could move the stock market higher and is likely the most important factor for investors as we enter 2026.

PALISADE MODEL PORTFOLIOS UPDATE

The Palisade model portfolios are constructed largely using third-party investment funds from a collection of managers with long-term track records and that we view as having attractive risk/return profiles. 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 the model portfolios exhibit much less volatility month-to-month, and most importantly, much less downside through challenging stock market periods. Over the last few months, we have seen returns across various investment strategies moderate. Real estate, risk arbitrage, private equity and others are seeing returns in 2025 below their historical averages. While our investment portfolios remain focused on quality, we are making some changes to our models to bring in new funds whose strategies have produced a higher return profile in recent years. Overall, we view our model portfolio returns as continuing to be attractive from a risk/reward perspective, but we are integrating new managers in the long/short strategy, business loans and private equity secondaries to continue to target enhanced returns with lower volatility than the stock market.

Further details regarding our model portfolios are available on our website under "Investment Offerings" (www.palisade.ca).

PALISADE FUND COMMENTARY

The **Palisade Select Fund** ("PSF") was up 7.0% in November. The S&P/TSX Capped Energy Index ("Energy Index") was up 8.4% and the WilderHill Clean Energy Index ("ECO") was down 5.6% for the month.

Canadian oil and gas had a particularly strong month with all subsectors performing well. Natural gas pricing was strong with US pricing at Henry Hub up 18% for the month on the back of selected cold weather and the ongoing narrative of demand growth in 2026 due to electricity demand moving higher on the back of AI adoption. Natural gas in Alberta is not at the same price level but has recovered from trading into negative territory in the summer to a current price of around $3 per GJ. Interestingly, during the month of November the price of WTI crude oil traded down about 4%, closing the month under US$60 per barrel. At the same time, the shares of oil-weighted companies traded up, such as PSF holdings Canadian Natural Resources rising 5.4% and International Petroleum Corp (IPCO) increasing 18%. We continue to see broad based outperformance in oil and gas stocks despite near-term headline risk in the oil market, negative market outlooks from many sell-side research firms and near-record bearish positioning in crude futures markets. In our view, investors continue to look to the longer-term where demand continues to grow (and might be currently understated) and easy supply additions become harder to come by.

Recent portfolio rotation has seen us buy additional exposure to natural gas weighted companies. In recent months we have trimmed exposure to fundamentally expensive oil weighted equities like Imperial Oil and IPCO, but those stocks have continued to trade higher despite high valuations. An additional positive highlight was the takeover of NuVista Energy, which was one of our largest weightings in the PSF. This had been telegraphed by a large block trade that occurred in the stock back in September, so some of the total recent gains were earned back at that time, with the remaining gains earned in November with confirmation of the acquisition by Ovintiv.

We have seen comments from other Canadian fund managers pointing out that we have a smaller investable universe of Canadian oil and gas companies given all the merger activity that we have seen in 2025. We would certainly echo that concern, especially noting that there are a handful of companies that could also be sold in the coming months. However, greater activity, scale, stability and operating efficiency among the remaining companies combined with a scarcity factor could certainly justify a higher base level valuation for Canadian oil and gas companies going forward. Oil and gas strategy is now like that of most other industries now – create scale, improve efficiencies and maximize cash flow. The more success that Canadian companies can achieve in respect to these goals, the more capital they will attract and the higher the baseline valuation will be for the remaining public energy companies.

The **Palisade Horizon Fund** ("PHF") was down 0.9% in November. This was largely influenced by the continuing pressure on the "quality" factor, which as we have mentioned in previous commentaries, has been out of favor over the past six months. Some of the growth-oriented names such as Celestica and Shopify also had minor pullbacks during the month. We see this as normal course profit-taking after having strong runs the previous month (and within a longer move higher starting post-Liberation Day in April). Shopify posted a record Black Friday through Cyber-Monday by growing sales volumes 27% over 2024, which is a positive for the company, and also boosts our confidence in the strength of the consumer going into the holiday season.

Momentum in the AI sector shows no signs of slowing down. An interesting example comes from a company like Micron, which produces different types of hardware memory for consumer products and data centers. They recently announced that they are shutting down their consumer segment in 2026 to focus solely on delivering their next generation memory products to hyperscalers such as Amazon, Microsoft and Google.

The quantitative screens for the PHF have highlighted a few new names this month that are exposed to the AI infrastructure build out, while not being solely AI focused business models. A couple of such examples include Xylem, which is a global provider of water infrastructure and processing solutions, and Trane Technologies, which focuses on refrigeration and heating, ventilation and air conditioning (HVAC) for residential and commercial use. Both companies have experienced tailwinds from the rapid increase in the need for liquid cooling in data centers and the challenges that come from disposing of the vast amount of heat that computing generates.

The remaining US names in our portfolio (around 40% of the PHF) lean more towards the "quality" factor. This includes companies like Verisign, which acts as a digital utility through the hosting of the .com web domain, and Stryker, which provides surgical and imaging equipment, hospital beds, cardiovascular consumables like stints and coils, and other medical devices.

The **Palisade Vantage Fund** ("PVF") was up 2.2% in November. For the month, the S&P/TSX Canadian Dividend Aristocrats Total Return Index ("Aristocrats Index") was up 2.3%, while the S&P/TSX Composite Total Return Index ("TSX Composite") was up 3.9%.

We highlight the section above that points out recent weakness and tax loss selling in a large number of core Canadian companies as a notable opportunity for Vantage Fund as we head into 2026. Any incremental downside pressure in those names should set up a great buying opportunity in high quality companies with proven management, growing dividends and competitive positioning. PVF owns a couple of the names mentioned above (Intact Financial, CP Rail) and we would look to add more exposure to those names, while also bringing in a few other names mentioned in that list. As noted earlier, quality as an investing "factor" has been out of favor in the back half of 2026. This will not continue forever, so we want to take advantage of the buying opportunity while we can.

Another name that wasn't listed in the section above but also qualifies for the list is Telus. In recent months, there has been active commentary coming from aggressive US investors that the dividend is not sustainable. This fear has driven the stock down 20% in the last three months. The current dividend yield is 9%. The company stated earlier this week that it will not grow the dividend in 2026 and that it will phase out the dividend reinvestment program. Both events should be seen as a positive for the stock price at current levels. We would view any incremental downside from tax loss selling as a buying opportunity.

We want to wish all of our clients and investment partners a sincere Merry Christmas and we thank you for your support in 2025. We hope that you can spend some quality time with your families through the holiday season. Best wishes for all of your endeavors in 2026!

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.