

Stock market performance in February is already old news given the now ongoing conflict between the US, Israel and Iran. Given the significant power imbalance between the US/Israel and Iran, we do not view this situation as carrying the same risk of a protracted, multi-month military engagement as other recent global conflicts. Our focus is to maintain a level head and evaluate these events through the lens of market fundamentals rather than worst-case scenarios.

Key Highlights:

- February continued with the highly bifurcated market action that we've seen for the last few months – growth and quality were out of favor while commodities and generally defensive sectors performed well.
- Canada continues to outperform the US due to our much higher weighting in those sectors that are in favor. This thematic has been ongoing for at least a year.
- Trading action in oil company equities has remained relatively muted in the face of spiking commodity prices, which is what we want to see for the long-term health of the energy market. Stay focused on the positive supply/demand fundamentals.
- US markets have been sideways to down so far this year. If we see resolution to the Iran conflict and ongoing muting of China's influence, that may clear the decks for a bounce in US and growth-oriented stocks.

Near-Term Outlook:

- With the Iran conflict in full swing at the time of writing, it is interesting to note that some previously beaten up "quality" names are starting to outperform and trade independently of the negative headlines and fear in the market. For example, Constellation Software is up over 15% in the first week of March. We think this may be an early indicator that peak bearishness and fear has passed. There are some cheap stocks that were taken down by AI fears that we think will now be fertile hunting ground for new investment ideas.
- Our preferred market reaction for oil and gas stocks involves a muted upside response in equities to short-term commodity spikes, preventing fast money from whipsawing prices and destroying medium term momentum. If there is conflict resolution and lower commodity prices, we would expect to see investors buying the dip in oil and gas stocks while maintaining a focus on the long term fundamental investment thesis.
- It is not in the US administration's best interest to have a protracted military campaign alongside inflation risks from higher oil prices while heading into mid-term elections in eight months. We think the Iran conflict will be over in the shorter term, one way or another.

If we were to see an outcome in which the Iranian regime is defeated or controlled, combined with quasi-control of Venezuela, general alignment between other OPEC+ members and the US, and less soft power being exhibited globally by China, that could set up a stock market scenario that sees growth stocks come back into favor and energy stocks recalibrating back to the positive outlook around oil and gas demand growth due to increased electricity generation from AI demand requirements.

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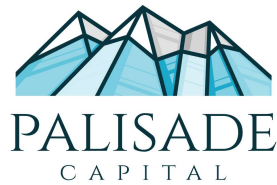
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Fellow Palisade Investors and Friends,

Please find attached our February 2026 Monthly Update, which includes the Fund Fact Sheets for the Palisade Funds and commentary regarding the various Palisade Wealth Management model portfolios. **This month's client conference call is scheduled for Wednesday, March 18th 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.

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

We are writing this at the same time as the level of uncertainty in the Iran conflict would appear to be at its highest. While there are always currently unknown negative scenarios and tail risks that the news and overnight futures traders like to focus on, we think it is best to maintain a level head and look at the situation logically and through the lens of other recent conflicts. While this conflict is clearly at a higher level than recent Israeli actions in the Middle East, we don't see it as risky as the Russia and Ukraine situation due to the simple imbalance of power between Iran and the US/Israel combination. While Iran may have a large number of drones and be able to execute targeted attacks, at the end of the day the US military strength far exceeds that of Iran and thus doesn't likely pose a risk of ongoing conflict that lasts for months on end.

From the US perspective, the real boss is the stock market. While we don't see this pullback turning into a full blown bear market, just the headline risk would likely be enough to cause the Trump administration to pull back at some point in the near term, or maybe more accurately, to increase the pressure on Iran as quickly as possible in order to avoid lasting financial losses or headline inflation risk from higher oil prices, especially as we are only eight months away from mid-term elections in the US.

While we are not political experts, it does seem clear that the end goal is to eliminate troublesome regimes, put pressure on China (and to a lesser extent Russia) by limiting their access to resources and minimizing the soft power that they have created by supporting countries like Venezuela, and stabilizing access to resources and critical minerals to improve long-term visibility for economic growth/dominance. Sanctions in Cuba would also seem to follow a similar playbook.

Again, we are not experts in this field, but if these activities were to all be reasonably successful in the next few weeks, it is not a stretch to see a global political stabilization leading to an economic growth period for western nations as they work towards common economic goals with less control/input from China and less fear due to the Middle East and Russia. This thought may turn out to be nothing more than a brainstorming exercise in hindsight, but at the end of the day the US is truly the world's only superpower and that superpower is now almost exclusively focused on their economy and future economic growth.

We talk about oil in the Palisade Select Fund section below, but oil price is the key economic indicator in the whole conflict. We have been positive on both oil and natural gas prices for quite a while (oil from a supply perspective and natural gas from a demand perspective), so we do take some comfort from the trading action in the share prices of oil companies not moving up dramatically while crude oil prices have gone up over 60% since the start of the month. The commodity price itself is going to be very volatile for at least a few weeks, but as long as that volatility stays muted in the company share prices and doesn't pull in that panic buying, we feel like the underlying investors will maintain

their longer term focus on ongoing demand growth and a world in which spare supply continues to shrink. We want to see investors buy dips in oil stocks, not chase rips, because that fast money chasing stocks will whipsaw prices, destroy momentum and eat up incremental buying demand in the short term.

The US is acutely sensitive to oil prices as well, so it is not in its best interest to have a protracted conflict leading to oil prices over \$100. We want investors pricing in long term, steady increases in commodity prices, not getting whipsawed by hard-to-model political risk. While the stocks will definitely move around in the coming weeks, a muted upside response to higher commodity prices in the very short term is what we want to see and then dip buying in the stocks when the commodity price eventually comes back down to a more sustainable level. That sort of trading action should not lead to lasting inflation risk and should keep the medium and long term investment thesis intact.

PALISADE MODEL PORTFOLIOS UPDATE

The Palisade Portfolios are built on a foundation of external investment funds chosen for their enduring track records and strong risk-adjusted potential. A key advantage of our structure is the heavy weight given to non-correlated investments, which helps to insulate the portfolios from daily market noise and targets the minimization of downside risk during equity corrections. Although performance in areas like real estate, risk arbitrage, and private equity has been softer than usual in the last year, we view the overall opportunity set as compelling. We are currently optimizing the portfolios by onboarding new managers in high-performing categories such as private equity secondaries, business loans, and long/short equity. These adjustments are intended to boost return potential while preserving the low-volatility characteristic that defines our strategy. Volatile markets, like we have at the moment, are why we choose to build investor portfolios with an allocation to alternative strategies.

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 8.2% in February. The S&P/TSX Capped Energy Index ("Energy Index") was up 10.6% and the WilderHill Clean Energy Index ("ECO") was down 3.9% for the month.

This PSF commentary will address last month's performance, but more importantly touch on our response to the US and Israel operations that started this month in Iran. With regard to last month, we could pretty much just copy the summary from the previous month - oil stocks worked but natural gas stocks lagged (Tourmaline -0.5%, Advantage -5.2%, ARC flat), so PSF performed a little behind the Energy Index given that the index is heavily weighted towards oil producing companies.

Our large position in private oil producer Spur Petroleum traded up a little this month (3.1%), but that performance was also behind the Energy Index. That said, the Spur position has been a very strong long-term performer for the Fund, so we aren't worried about month-to-month performance in a name like that. In the months to come, we expect to see PSF outperform when natural gas stocks rally. We feel that the medium and long-term investment thesis is very much intact for both natural gas and crude oil.

Regarding more recent activity, we note that we have sold some oil-oriented stocks in the last few days. The cash weight in the Fund is now around 15% after trimming some winners. If you include our private securities (Spur and Storm), PSF is now approximately 25% cash and low volatility holdings as of the end of the first week of March. While crude oil prices are up dramatically since the start of the Iran bombing campaign, the oil stocks are not following along with the same level of vigor. This is different than in the past. We view this as a positive because we don't want to see panic buying driving up share prices to unsustainable levels while using up the incremental buying power/demand of investors.

While we think that the short-term floor for oil prices has moved up due to geopolitical risk, we are mindful that this conflict is not likely to last for an extended period of time, so when crude prices come down we want the market's focus to shift back to the lack of supply available to meet growing oil

demand and the long term natural gas demand growth from electricity generation. We would want investors to buy the dip with that fundamental investment thesis in mind.

The **Palisade Horizon Fund** ("PHF") was up 1.6% in February. While our monthly commentary typically provides an analysis of the previous month, the sudden change towards conflict in the Middle East warrants a combined discussion of both February's outcomes and the current environment in relation to the Fund.

In February, the majority of company quarterly earnings reports occur. This reporting season was a relatively unforgiving environment where growth companies were punished severely for slight misses, while strong quarters or outright beats were at best trading flat or slightly down. In this "risk off" environment for certain sectors and factors, PHF benefited from a rotation into "safe haven" and discount retailer names like Dollarama, Coca-Cola, Costco and Chartwell Retirement Residences.

The start of the Iran conflict in early March precipitated a wide-ranging sell-off that has hit semiconductors, infrastructure, software and other growth sectors. However, it's very important to note that the basket of beaten-up Canadian "quality" names that we strategically allocated capital to in December has been a bright spot as they have been trading independently of the broad markets. As of March 6th, while the S&P/TSX Composite index and the S&P 500 index are down 3.4% and 1.7%, respectively, names like Descartes Systems Group (up 7.5%), CGI Inc. (up 2.9%), Thomson Reuters (up 15%), and Constellation Software (up 16%) have outperformed handily during the broader market pullback thus far. We think that this price action suggests that the indiscriminate AI automation selloff fears of the last few months have reached a sentiment bottom for these resilient businesses. We will continue to hold that basket of names.

For this month, our US screens have rotated out of names including Coca-Cola, Edwards Lifesciences, O'Reilly Automotive, and Ametek, and have redeployed those funds into Stryker, Johnson Controls, Trane Technologies, TJX Companies, CME Group, and Walmart. The Canadian screens have recommended similar names through the recent market volatility. Our basket of beaten up "quality" names, some of which are mentioned above, round out the third basket of holdings in the Fund.

The **Palisade Vantage Fund** ("PVF") was up 4.6% in February. For the month, the S&P/TSX Canadian Dividend Aristocrats Total Return Index ("Aristocrats Index") was up 6.5%, while the S&P/TSX Composite Total Return Index ("TSX Composite") was up 7.7%.

PVF is benefitting from the defensive rotation that we have seen in the markets in the last couple of months. Utilities, staples and generally stable dividend-paying stocks are working in the Canadian markets, especially with headline risk related to the conflict in Iran and a general rotation away from growth stocks.

It's very important to note that the strongest parts of the Canadian market this month were the commodity-oriented sectors, especially gold, precious metals and oil and gas. These are sectors that PVF generally has limited exposure to, in part due to the small or non-existent dividend yields of many of the stocks and also due to the higher volatility of these sectors. We want PVF to drive a reasonable yield for our investors and to provide a more stable and blue-chip oriented risk/return profile. In general, Canada is right in the middle of what is working in stock markets right now – commodities and defensive sectors. As we start to get the Middle East conflict behind us, we may see a rotation to growth and other economically sensitive sectors, but we'll deal with that scenario if it emerges in the weeks and months to come.

We appreciate your support and we're always open to chat about any questions that you may have.

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 Kseniia Suvorova at (403) 531-2675 or kseeniia@palisade.ca to provide any such updates. If you no longer wish to receive the Monthly Update, please send an email to clientservice@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.