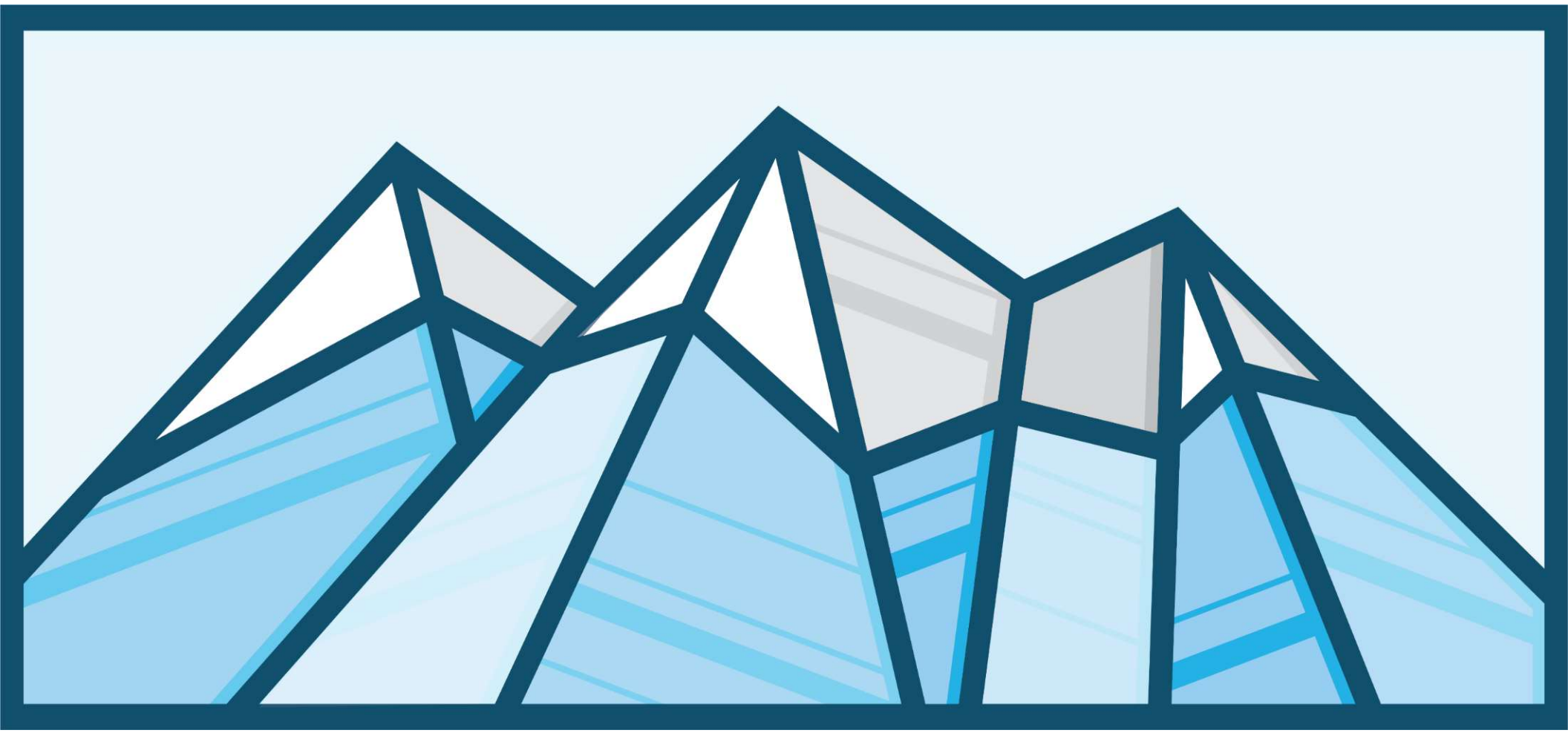


PALISADE CAPITAL CLIENT UPDATE

November 2026: Adjusting to Adjustments

November 12, 2026

Palisade Capital Management

Palisade Capital has a 28-year history of managing investments for high-net-worth families, trusts, foundations and corporations. Our long-term client relationships are built upon transparent, detailed communication and alignment of our interests with those of our clients.

Investment Offerings

Palisade Funds

- Palisade Vantage Fund
- Palisade Select Fund
- Palisade Horizon Fund

Palisade Portfolios

- Growth+
- Income+
- Preservation+
- Inflation+
- Alternative+
- Endowment+

Presenters



James Anderson, CFA
Managing Director
25 years of capital markets and investment industry experience



John McAleer, PEng
Managing Director
33 years of experience in the investment and energy industries

PALISADE CAPITAL

October 2026 Fund Review

Horizon Fund ("PHF") up 3.5% in October

- PHF has been a beneficiary of the rotation out of growth and into "quality" stocks the last few months
- Those gains have continued in November in spite of broader market volatility and weakness in certain sectors
- The AI/Growth trade has changed and entered a new phase, where it can still be positive but not to the same degree as it was through the first half of the year. This will allow other sectors to attract capital and trade on their own merits

Select Fund ("PSF") up 8.5% in October

- S&P/TSX Capped Energy Index was up 12.7% in August. WilderHill Clean Energy Index down 13.1%
- Oil weakness in early November has given back some of these gains, but we have used that weakness to put our cash and cash like positions to work starting in the back half of last week. Approximately 11% was put to work
- The most attractive names at current prices would be Tamarack Valley/Headwater, Spartan Delta and potentially companies with European gas exposure

Vantage Fund ("PVF") up 4.5% in October

- S&P/TSX Composite Total Return Index up 1.2% for the month. S&P/TSX Dividend Aristocrats Index up 3.5%
- Strong month for PVF where rotation continues into dividend paying stocks. We made small changes to the portfolio where we locked in some gains in Russel Metals and put that money to work in some interest sensitive name that had been beaten up the previous month
- The weakness in the previous two months was a regular correction in the dividend paying names with the positive returns of this month showing the more lasting trend, especially if markets have already priced in rate hikes



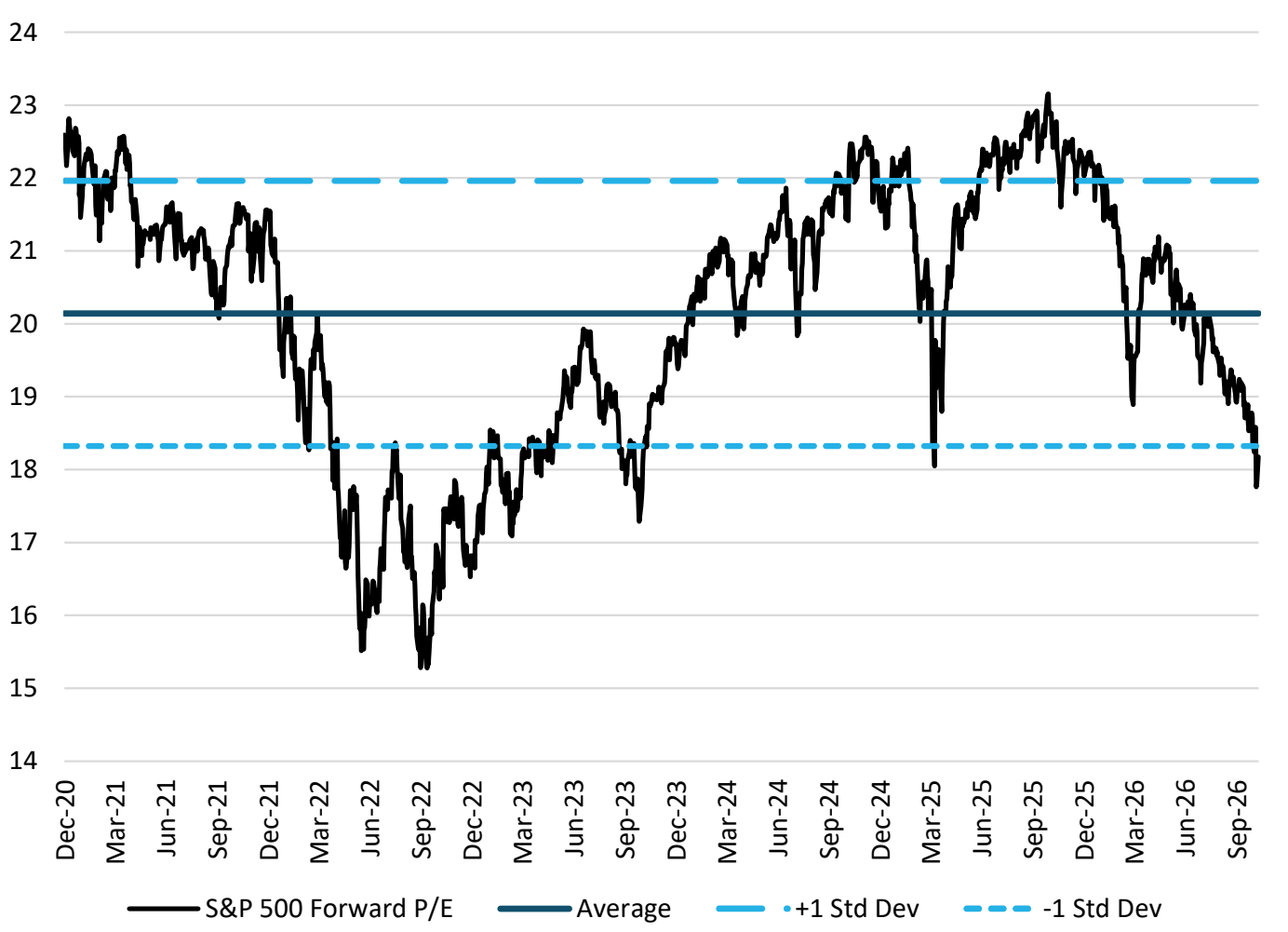
Section I: Interest Rates, AI and What's In Between

Recent Market Sell-Off Makes Stocks Look Reasonably Cheap

Low price earnings ratio requires earnings growth, but it's still pretty cheap regardless

- Recent sell off in growth equities has made the overall market look legitimately cheap
- Valuation is lower today than it was at the bottom of the "Liberation Day" panic in April 2025
- There's still room to the downside when comparing to bear market lows in 2022, but earnings growth slowed significantly at that time, which we don't think will be the case this time around
- There are still pockets of expensive stocks (certain financials, some utilities) but overall the pullback has created some buffer as we move into the best seasonal time for markets

S&P 500 Blended Forward P/E (1)



(1) Source: Bloomberg

AI Stocks Look VERY Cheap Here…Right?

Valuation depends on forward earnings, but either way the stocks look reasonable

- Investors have started questioning whether all the growth in the AI trade may grow, but at a lower rate than previously expected
- This is good for the rest of the market because it allows non-AI companies to attract investor interest and capital
- That said, we don't want the AI trade to turn into a trap either. The spending on infrastructure and datacenters is important to contribute to overall economic growth
- Even if AI related companies, in this case Micron and SanDisk don't grow as much as currently forecast, the stocks are still cheap

Micron (MU) & SanDisk (SNDK) Forward P/E (1)



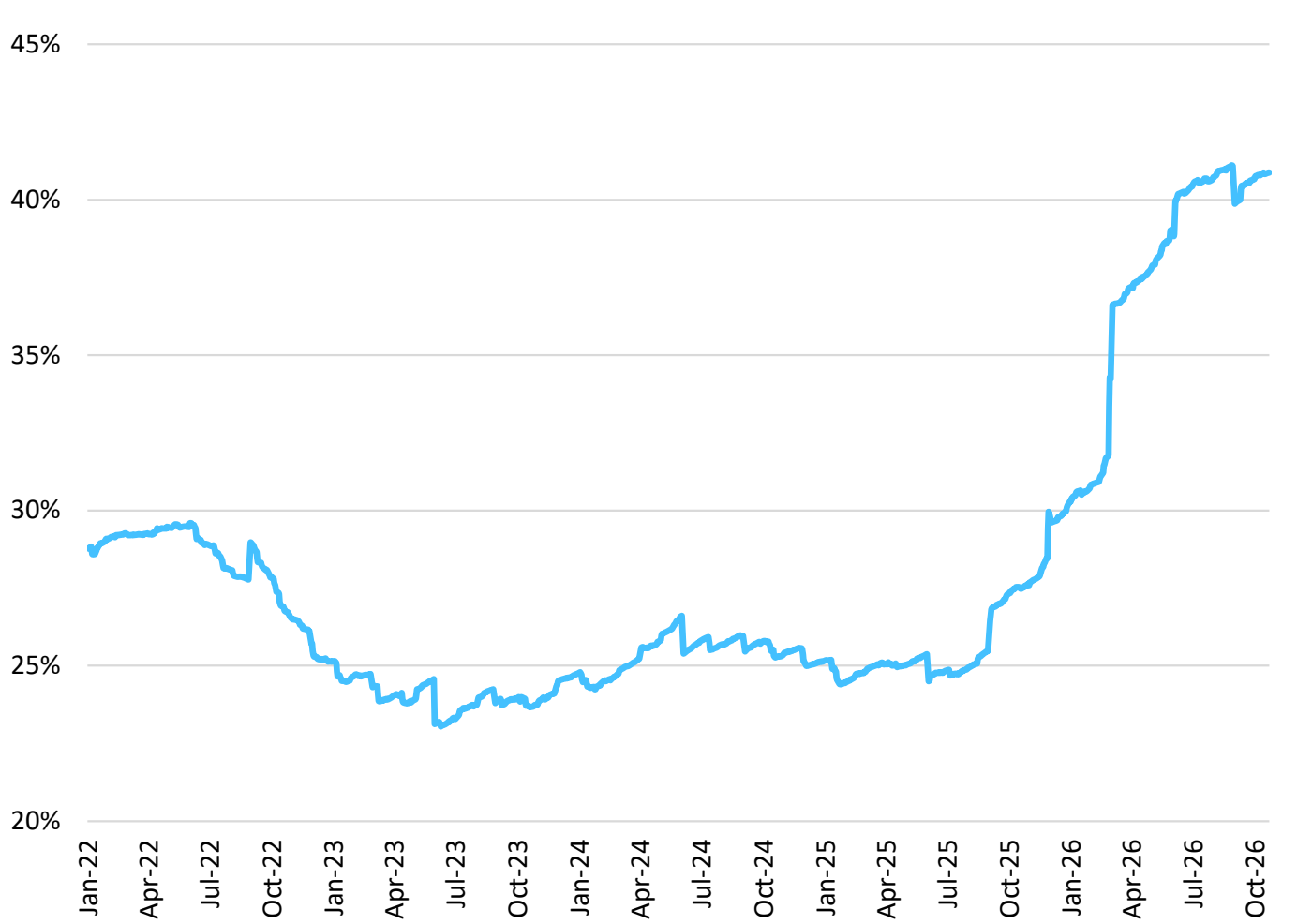
(1) Source: Bloomberg

Sustainability of Growth and Margins is the Question

Both growth and margins are unsustainable to some degree

- We've come through a bit of a realization in the last couple months that the mega growth and rapid increase in margins is going to be unsustainable beyond the next year or two
- This can explain some of the weakness in AI and AI related stocks. Computer traders don't like when the "second derivative" aka the growth rate of the growth, starts to slow down
- Overall, these companies will still grow their earnings in future years, but not likely at the rate of the last 12 months
- This is a positive in that AI can keep growing, but investors will invest in other sectors more regularly

Philadelphia Semiconductor Forward Profit Margin (1)



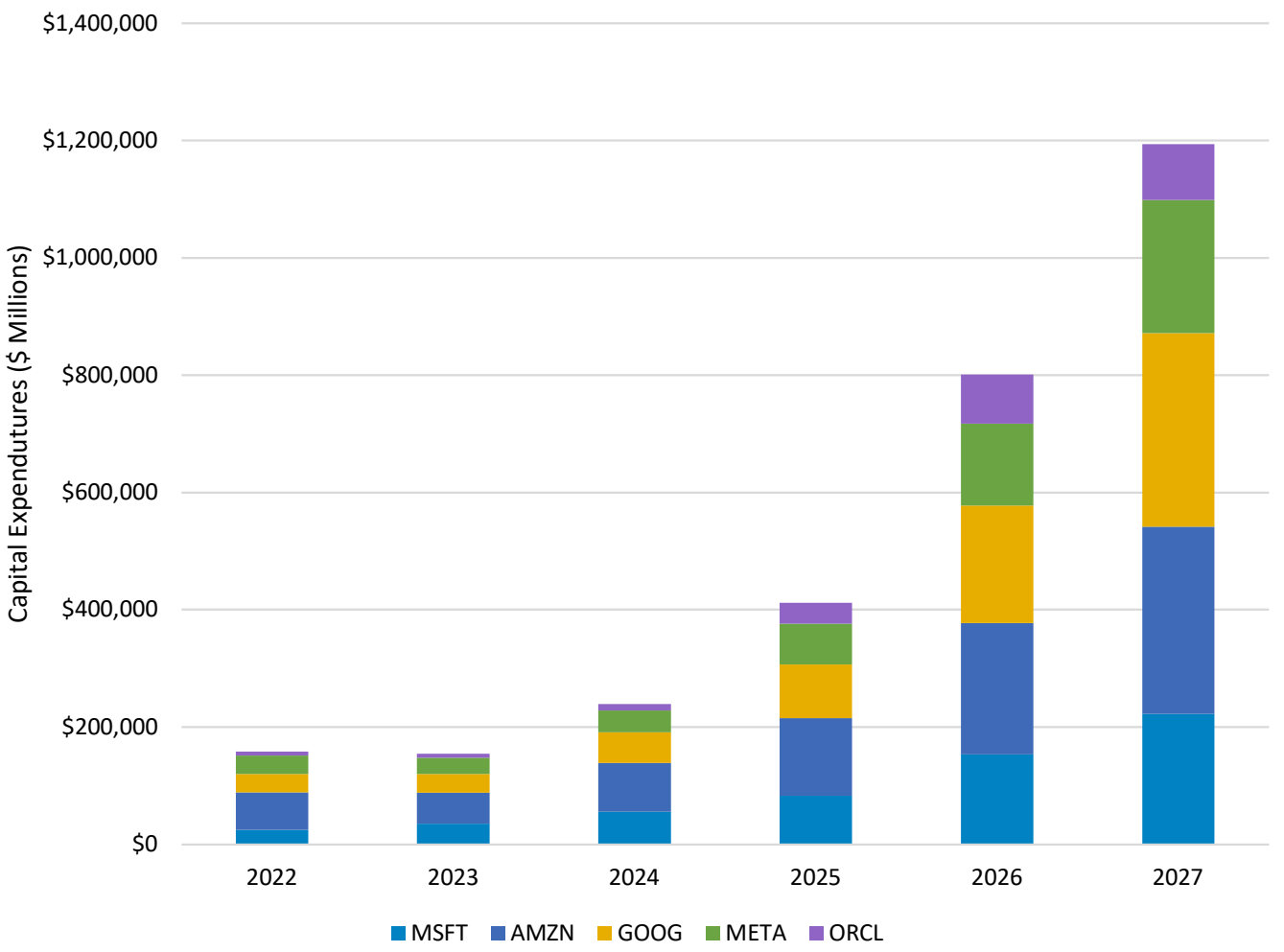
(1) Source: Bloomberg

The Growth in Money Spent in the AI build out is Unsustainable…

…but we still need a reasonable level of buildout to support economic activity

- Can we find the right balance between a crazy amount of growth in AI spending without going over the top and killing the need for future spend?
- Current capex spend from these five companies is equal to the GDP of Poland. That should give you a feel for how important this spend is to the general level of economic activity
- If they wildly overspend and have to course correct with much smaller spending in coming years, that will be a problem for the economy
- If it slowly pulls back to a more "normalized" level that stability should benefit other parts of the market

Hyperscaler CAPEX (1)



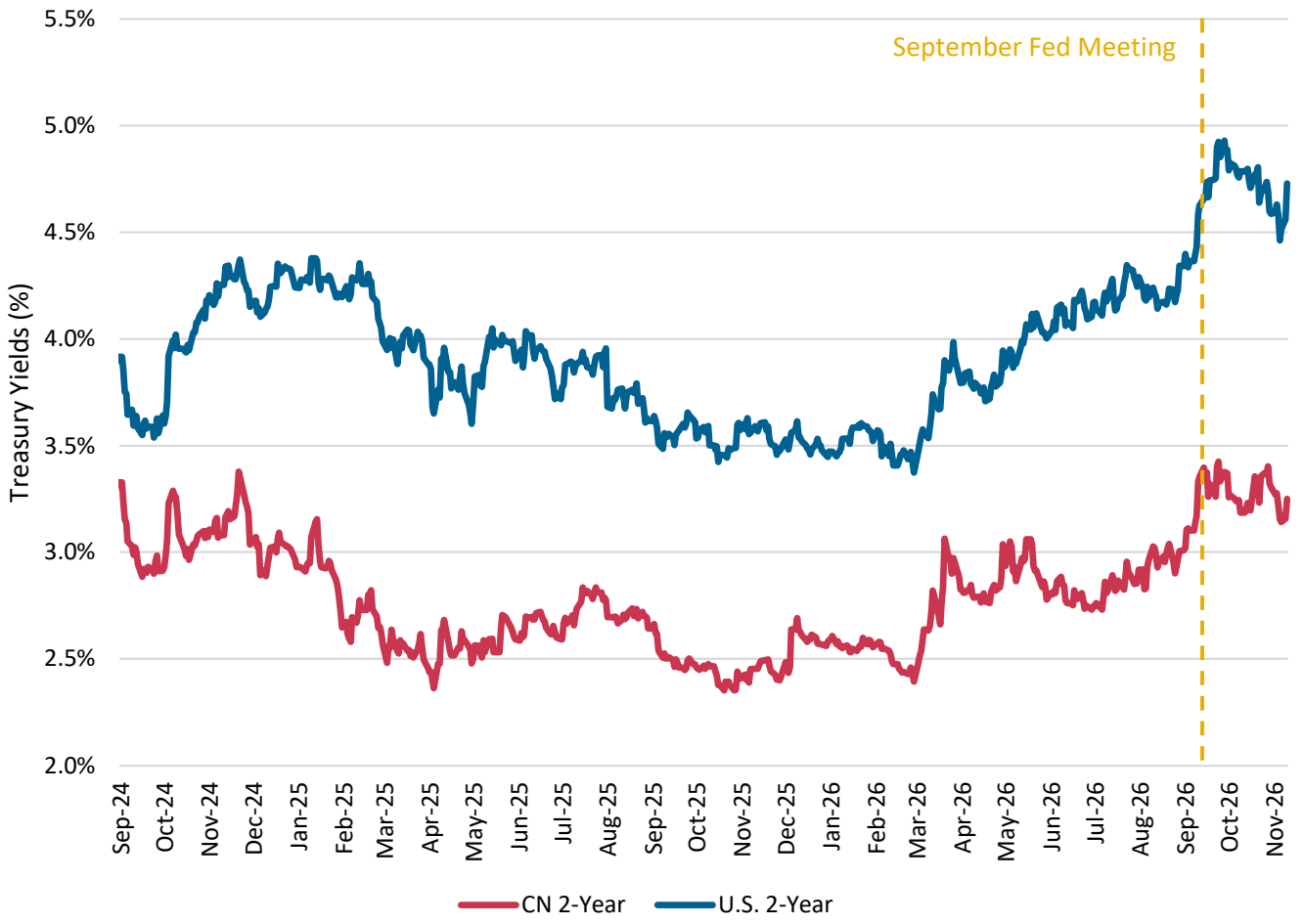
(1) Source: Bloomberg

Have Bond Yields Already Priced In Future Rate Hikes?

We think investors have already priced in the next few rate hikes

- We were wrong in our expectation that central banks wouldn't increase interest rates, but now the important question becomes "have bond investors already priced in another 0.50% – 0.75% of additional hikes?"
- From lows in March to the peak two months ago, 2-year bond yields went up 1.5% in the US and about 1.0% in Canada. So far the BoC and Federal Reserve have raised rates by 0.25%. It would seem that investors have priced in additional hikes
- Importantly, 2-year yields peaked at the same time (or a week later) than the Fed announced its hike

Canadian & U.S. 2-Year Bond Yields (1)

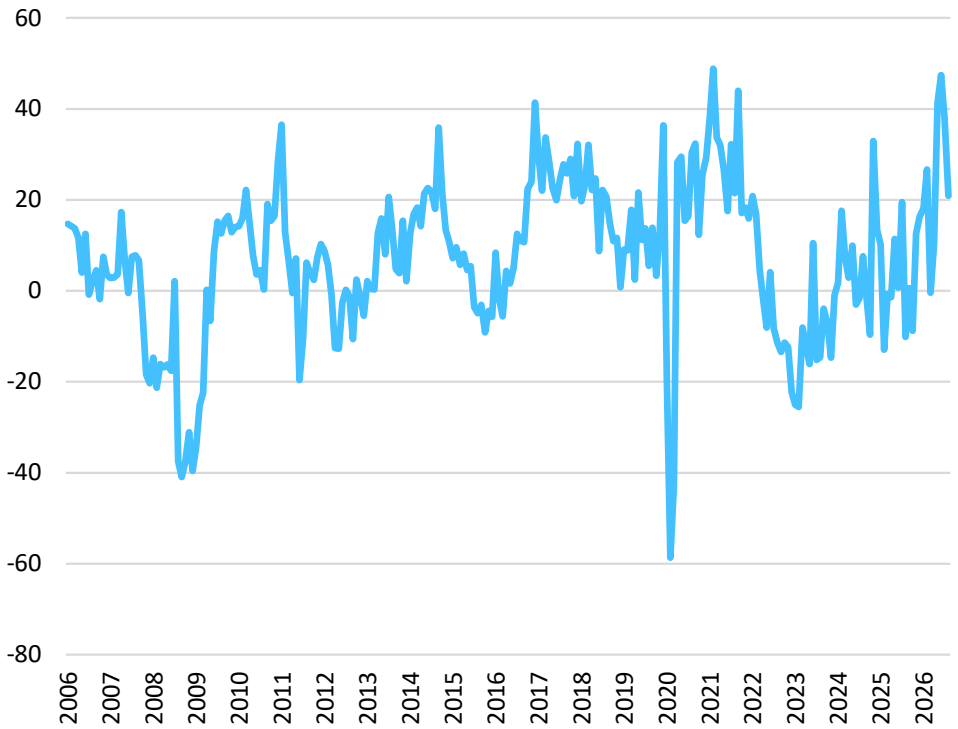


(1) Source: Bloomberg

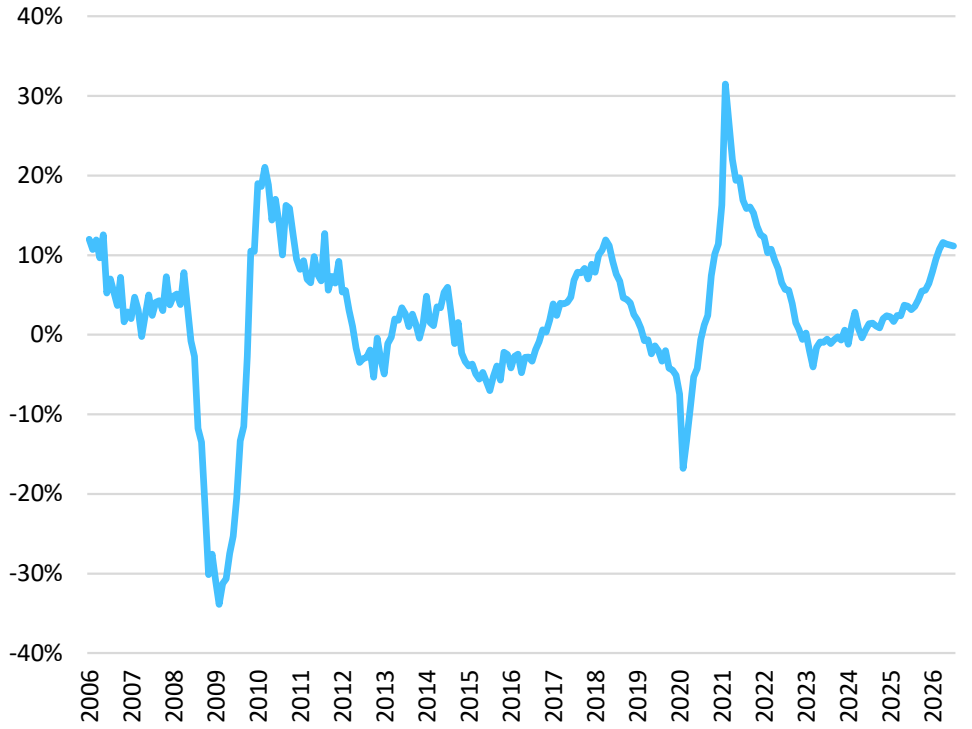
Some Random Data Points Showing Decent Economic Activity

While real estate and low-income consumer is weak, manufacturing maintains strength

Philly Fed Business Outlook Diffusion Index



Durable Good Orders ex Transportation (YoY) (1)



- We acknowledge that you can always cherry pick datapoints, both positive and negative, to prove a point in economics, but it is interesting to note that we can still see positive momentum in various datapoints related to manufacturing in the US
- Interestingly, we are still seeing meaningful growth year over year in durable goods orders. Up 10% is near the top end of the range over the last 20 years. Durable goods are items like dishwashers or furniture – things with a longer useful life

(1) Source: Bloomberg

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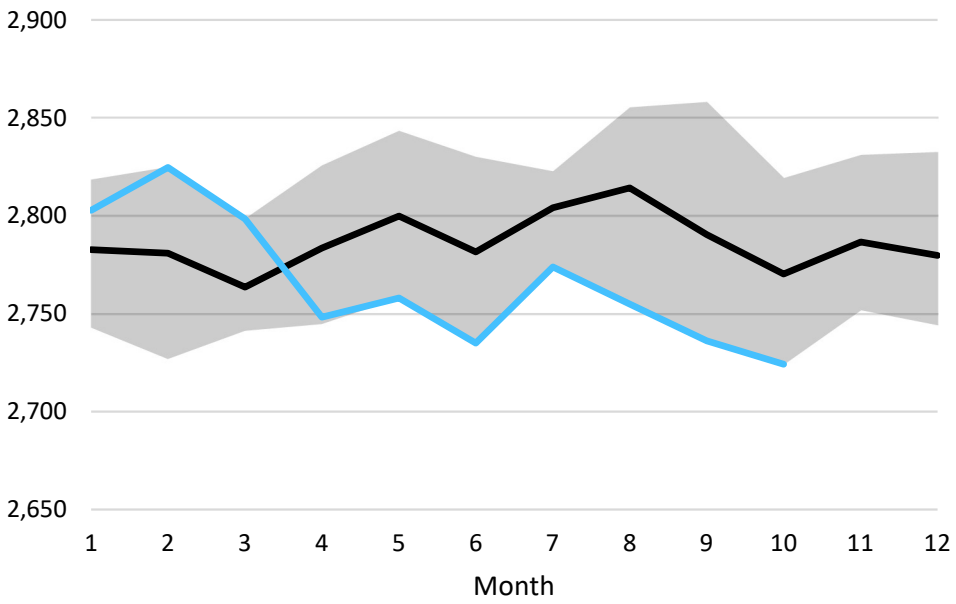
Section II: Oil Update

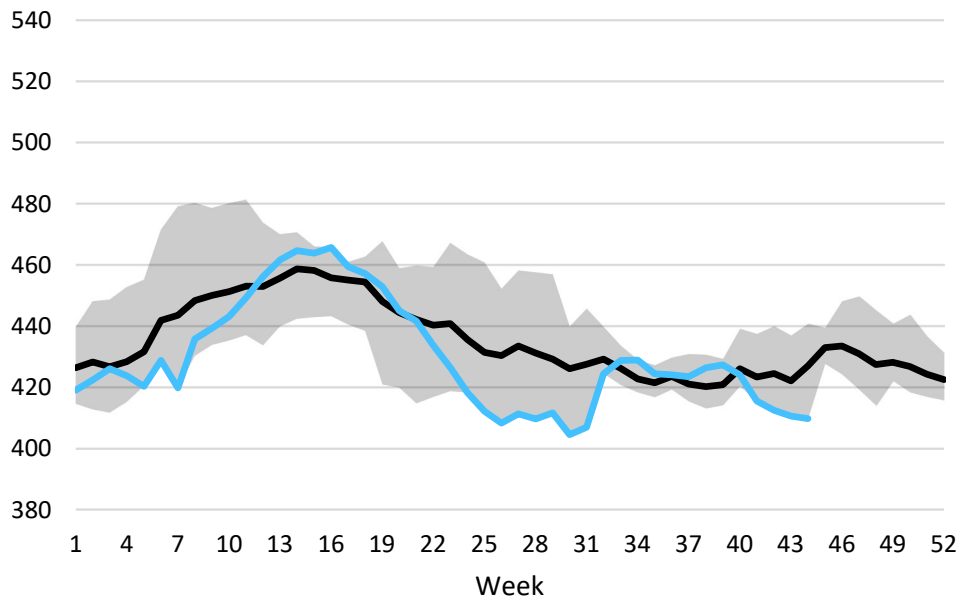
Medium-Term (12-18 Months) Outlook Based on Low Inventories

Demand increases based on natural growth and replenishing inventories

Global Commercial Inventories (Mbbl)



U.S. Commercial Inventories (Mbbl) (1)





- Global oil inventories are making new lows. Ongoing demand for replenishment is not just in the US
- US commercial inventories (right chart) are also low, but not as far away from the average as global inventories. If you include the Strategic Petroleum Reserve in US inventories, then it drops way below normal. Slowly filling the SPR will be an important demand driver, but tied to political will/goals
- Ongoing tanker strikes by Iran should keep ease of supply lower than normal and a risk premium in the oil price

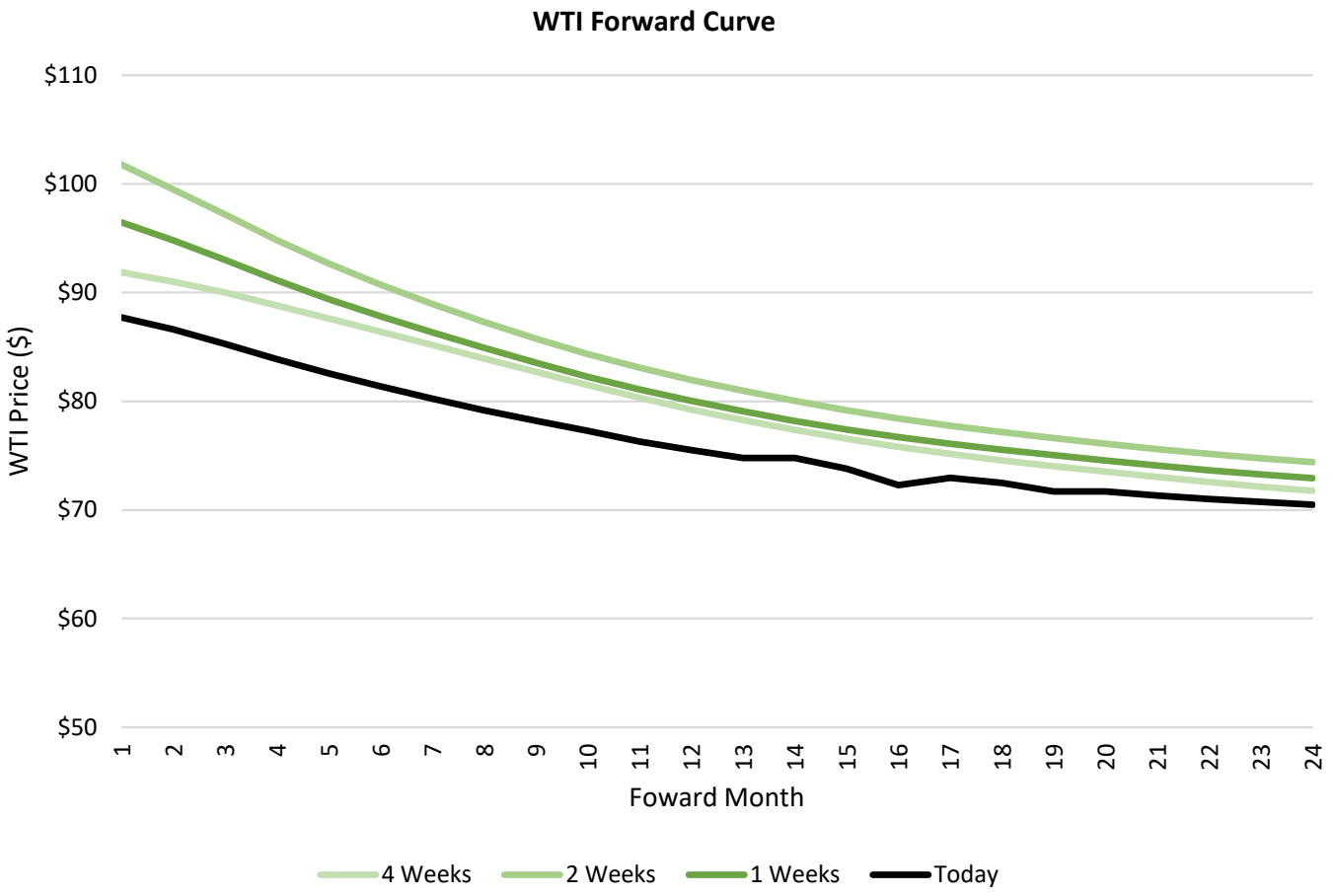
(1) Source: Bloomberg

Oil Futures Curve Remains in Our Target Zone After Weakness

We want oil to range between $70 and $90 to highlight cash flow and shareholder returns

- How much predictive power does the WTI futures curve have? It's debatable, but…
- …our base case for medium term strength in oil equities expects oil to range between $70 and $90 per barrel, which the curve still validates, even after significant weakness in the last few weeks
- While front pricing has come down $15+ in the last month, the price one year out is only down about $6 even with a concern that the Iran conflict will go away due to a democrat election sweep
- The impact of the conflict will be felt after it ends in the form of higher prices

WTI Forward Curves (1)

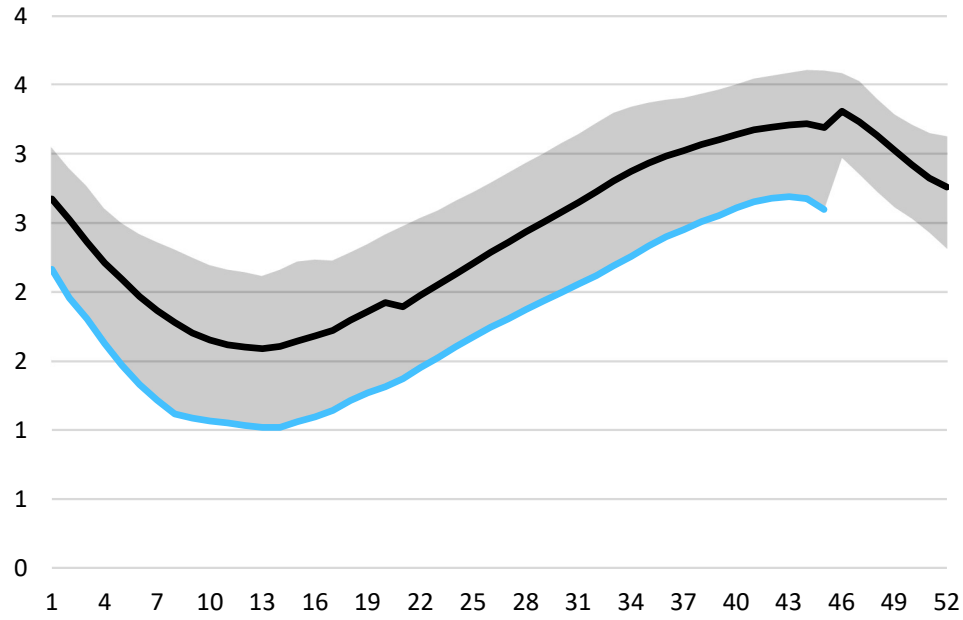


(1) Source: Bloomberg

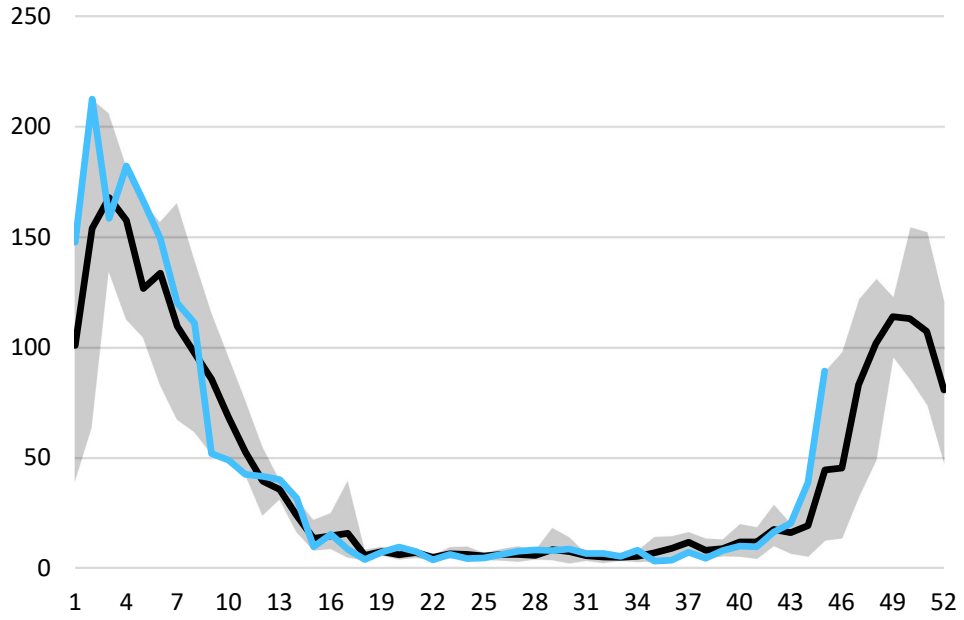
European Natural Gas Storage is Very Tight Heading Into Winter

Higher oil prices are a big reason for the bump up in inflation

Europe Gas Storage (Tcf)



Europe Gas Storage Draw (Bcf) (1)





- While the price of natural gas is always a “weather dependent” thing, the start to winter in Europe is looking very tight from a supply perspective
- Natural gas prices in the UK have nearly tripled since the spring
- Looking at the few Canadian based European gas producers as potential near term additions to PSF. Recent pullback presents compelling entry point

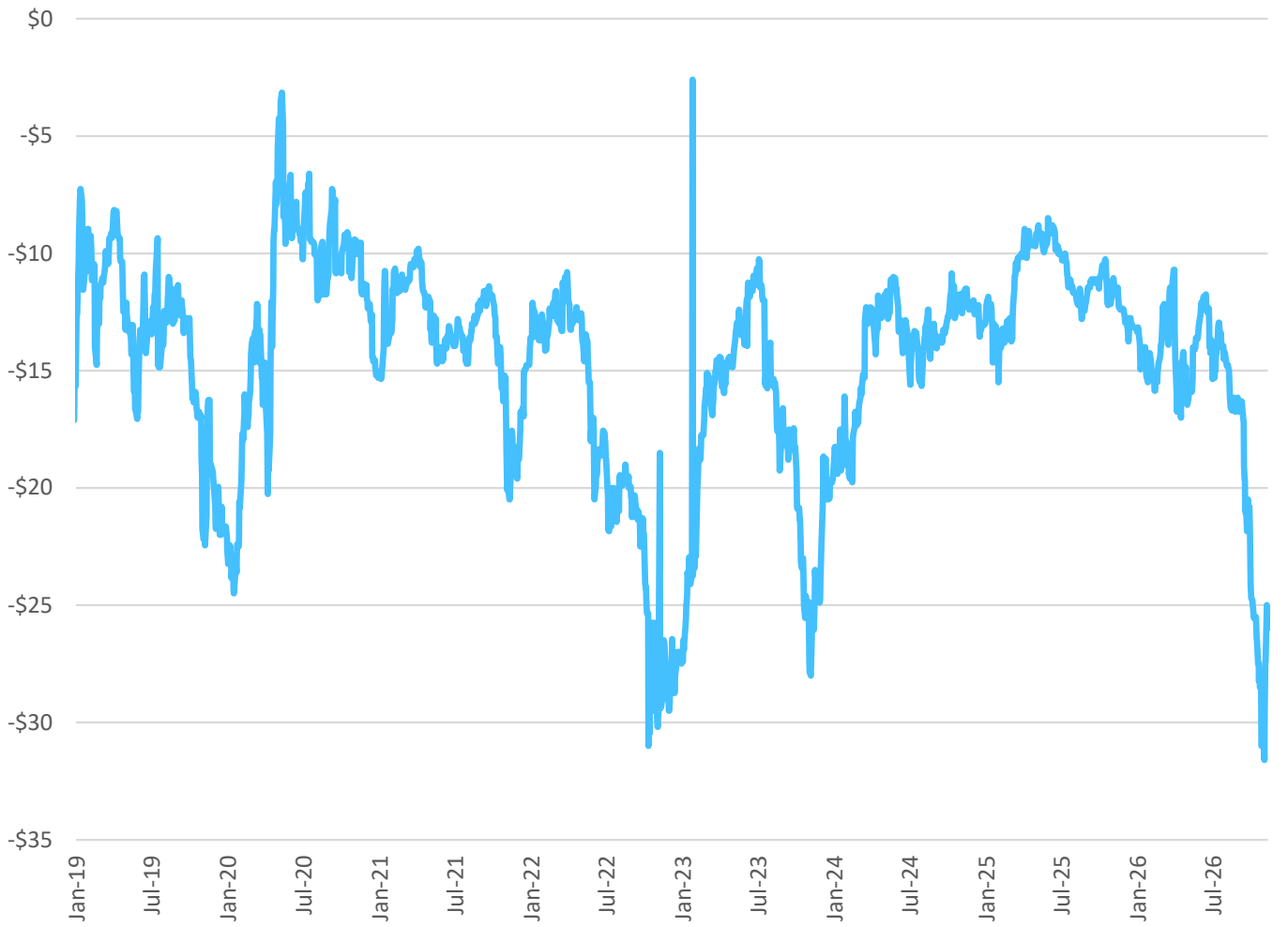
(1) Source: Bloomberg

Need to Acknowledge Some Concerns – WCS Differentials

Recent weakness in WCS pricing should fix itself, but we need to be cautious

- Just recently we have seen the WCS differential (the price of a barrel of heavy oil in Canada less the price of WTI) blow out dramatically
- Handful of reasons would include Venezuelan barrels replacing some Canadian barrels at Gulf Coast refineries, longer maintenance periods at US refineries, but most importantly, the price for shipping oil out of the gulf has gone up dramatically due to higher diesel prices, which makes it uneconomic for Canadian barrels in the gulf to be "re-exported"
- The re-exporting should fix itself with lower recent oil prices, but we need to keep an eye on Venezuelan barrels

WCS Differential (1)



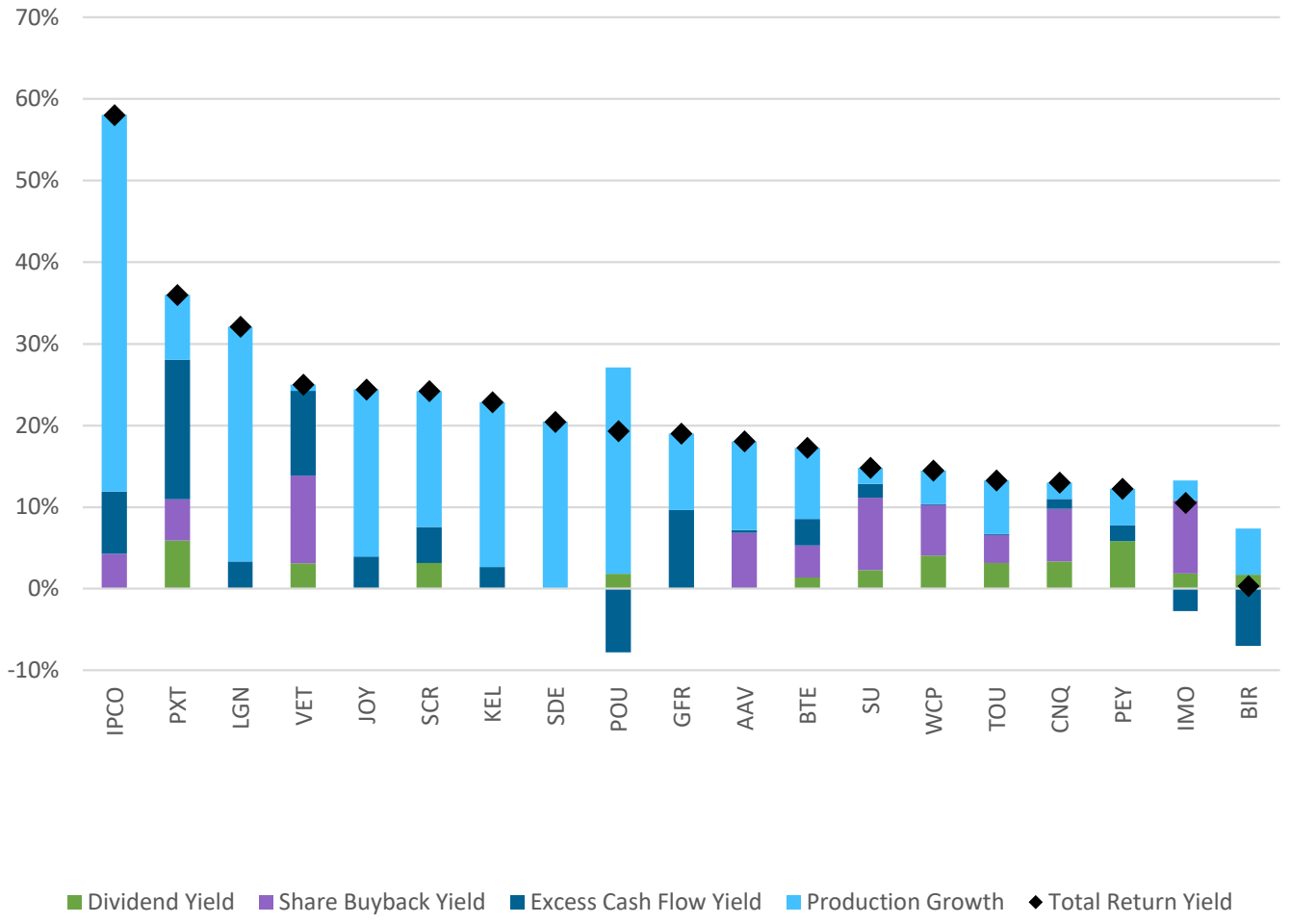
(1) Source: Bloomberg

Have Bond Yields Already Priced In Future Rate Hikes?

We think investors have already priced in the next few rate hikes

- Adding up dividend yield plus the percentage of shares o/s being bought back, plus excess cash flow yield plus production growth gives a sense of what investors are focusing on and where the best "value" might exist
- Not a shock that the companies with the most production growth tend to be to the left and the companies to the right tend to have lower growth but higher share buybacks
- A mid-teens total return expectation is pretty attractive and becomes more attractive the longer it can be maintained in a less cyclical than it used to be sector

Canadian Oil and Gas Company "Total Returns" (1)



(1) Source: Peters & Co

Summary Comments

- We're going through an adjustment period in markets, which has led to some pullbacks and some outperformance in sectors not related to AI and the associated infrastructure

- For the first time we have also seen investors question the amount of money being spent on that buildout and what a slowdown in that growth rate will look like. As long as we don't see significant cuts to AI capex (no cuts in guidance have occurred yet), a small cut can still maintain decent economic growth and allow investors an opportunity to continue to rotate into other sectors. This has been happening for the last few months and we think will continue into 2027

- Importantly for Horizon Fund, we are seeing the "quality" factor continue to attract new capital in this ongoing rotation and has led to very differentiated performance day to day and a positive overall trend for the last few months, which has continued into early November

- 2-year bond yields had come down in the last six weeks, which we think is a sign that markets may have priced in all expected near term interest rate hikes from the Federal Reserve (0.25% - 0.75%), which would also be a positive for markets. That said, US inflation date this week came in a little hot, which moved these yields up (0.18% in a day), so how rates trade from here will be a good indication if investors see this hot data as a warning sign of higher inflation to come, or backwards looking data that will adjust lower as oil prices come down. We are in the latter camp

- We want to be buying oil stocks on this most recent pullback, continue to buy interest sensitive stocks that had pulled back until about 6 weeks ago, buy underappreciated software and "quality" stocks and potentially look at AI adjacent names (we have some in PSF and PHF), depending on how they trade in coming weeks



Questions?

PALISADE PORTFOLIOS

We offer a selection of portfolios to fit our clients' needs depending upon their objectives and risk tolerance

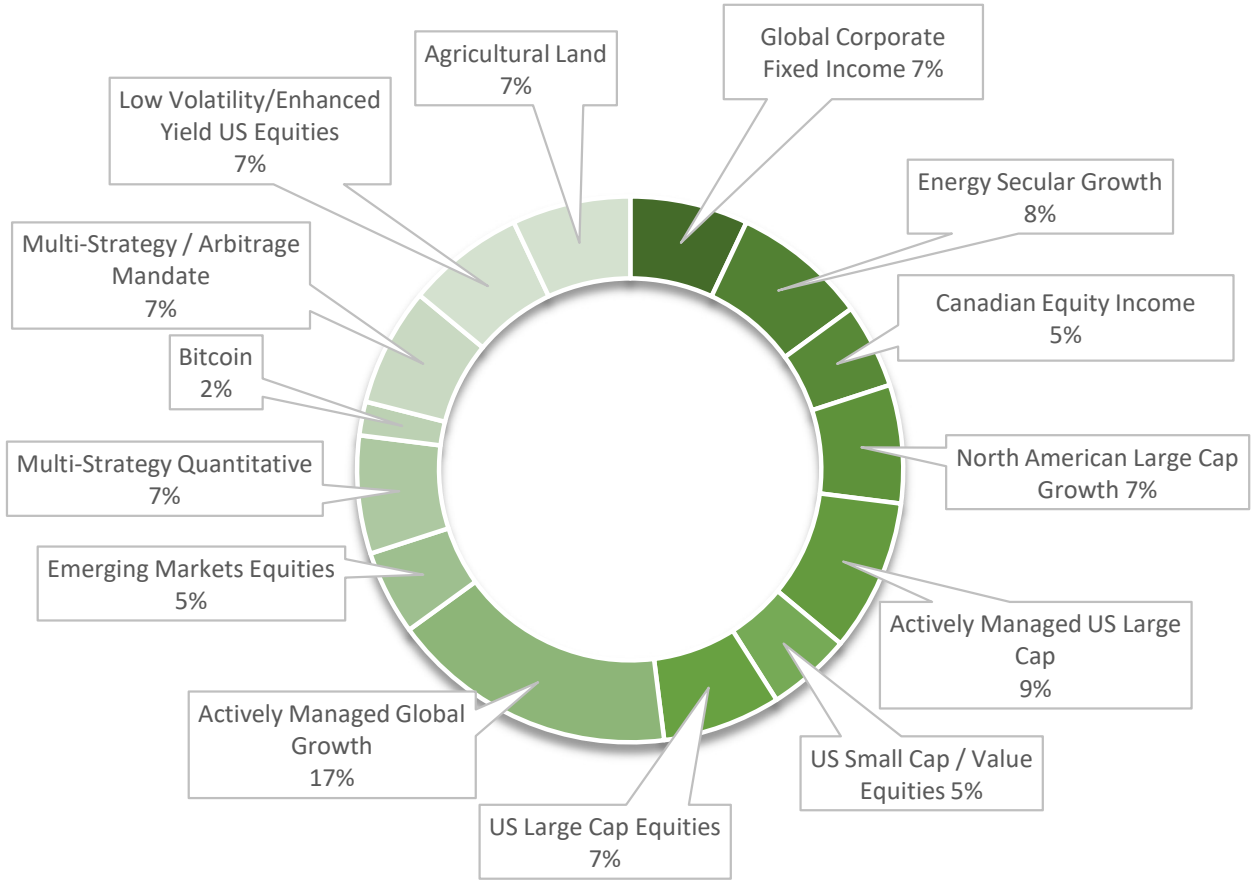
Growth+	Long-term capital growth with volatility mitigation
Inflation+	Low volatility growth with inflation protection
Income+	Regular income with moderate capital growth
Preservation+	Capital preservation while maintaining the potential for growth over time
Alternative+	Uncorrelated equity-like growth with capital protection
Enhanced Growth	Enhanced capital appreciation
PC Target Performance	Tax efficient growth for corporate entities

PALISADE CAPITAL

PALISADE GROWTH+ PORTFOLIO

Diversified Exposure Focusing on Long Term Growth

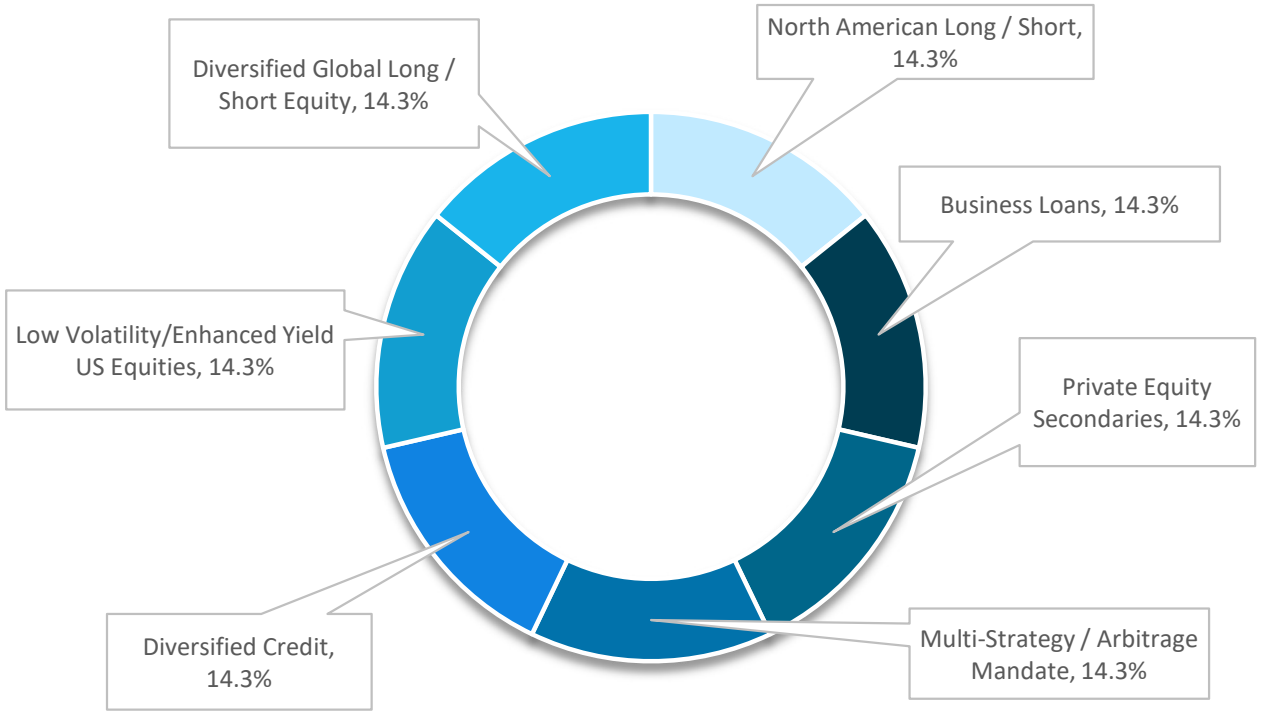
The Palisade Growth+ Portfolio provides investors with well diversified and unique exposure to global investing themes with an eye towards long term capital appreciation. True growth orientation with flexibility, diversification and downside protection.



PALISADE INFLATION+ PORTFOLIO

Protecting Against and Benefiting From Inflation, Targeting Low Volatility Growth

The Palisade Inflation+ Portfolio provides investors with diversified exposure to alternative investment strategies that target low volatility growth with inflation protection. The portfolio focuses on providing downside mitigation and acting as an inflation hedge. The current portfolio yields approximately 4% annually, which can be reinvested through distribution reinvestment programs (DRIP).



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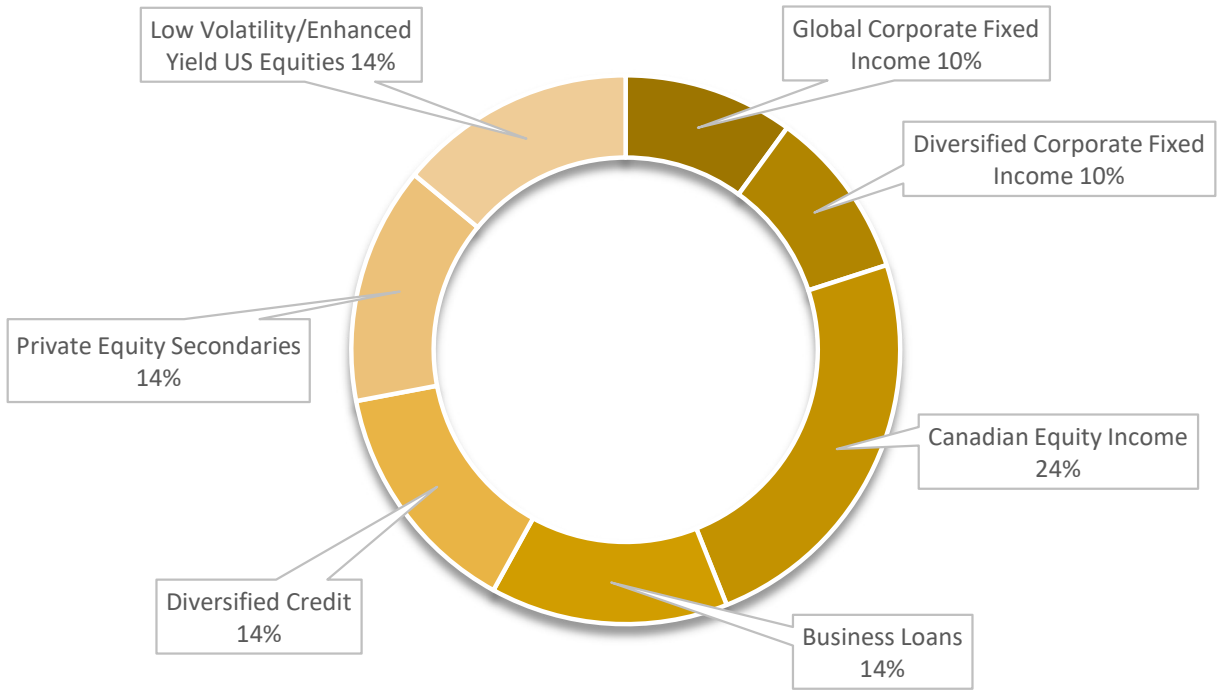
PALISADE INCOME+ PORTFOLIO

Regular Distributions From Multiple Strategies With Lower Correlation to Interest Rates

The Palisade Income+ Portfolio provides investors with a well-diversified source of monthly/quarterly distributions from a portfolio of equities, fixed income and alternative strategies. The current portfolio yields approximately 6% annually while maintaining flexibility and providing diversification and lower correlation to interest rates.



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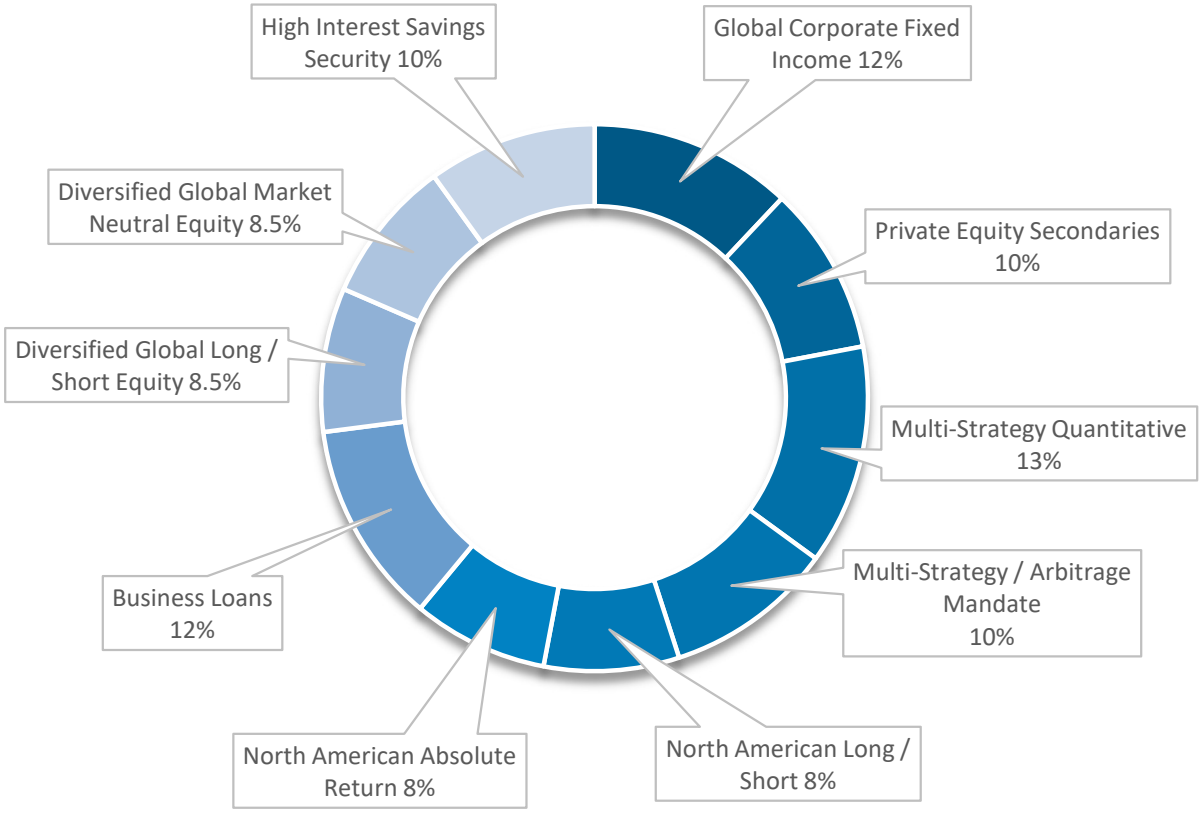
PALISADE PRESERVATION+ PORTFOLIO

Enhanced Downside Protection While Targeting a Mid-Single Digit Yearly Return

The Palisade Preservation+ Portfolio allocates to a well-diversified portfolio of alternatives and fixed income products that generally produce positive returns on a calendar year basis, regardless of market conditions. The portfolio focuses on capital preservation while seeking to provide low correlation to equity markets and targeting a mid-single digit yearly return.

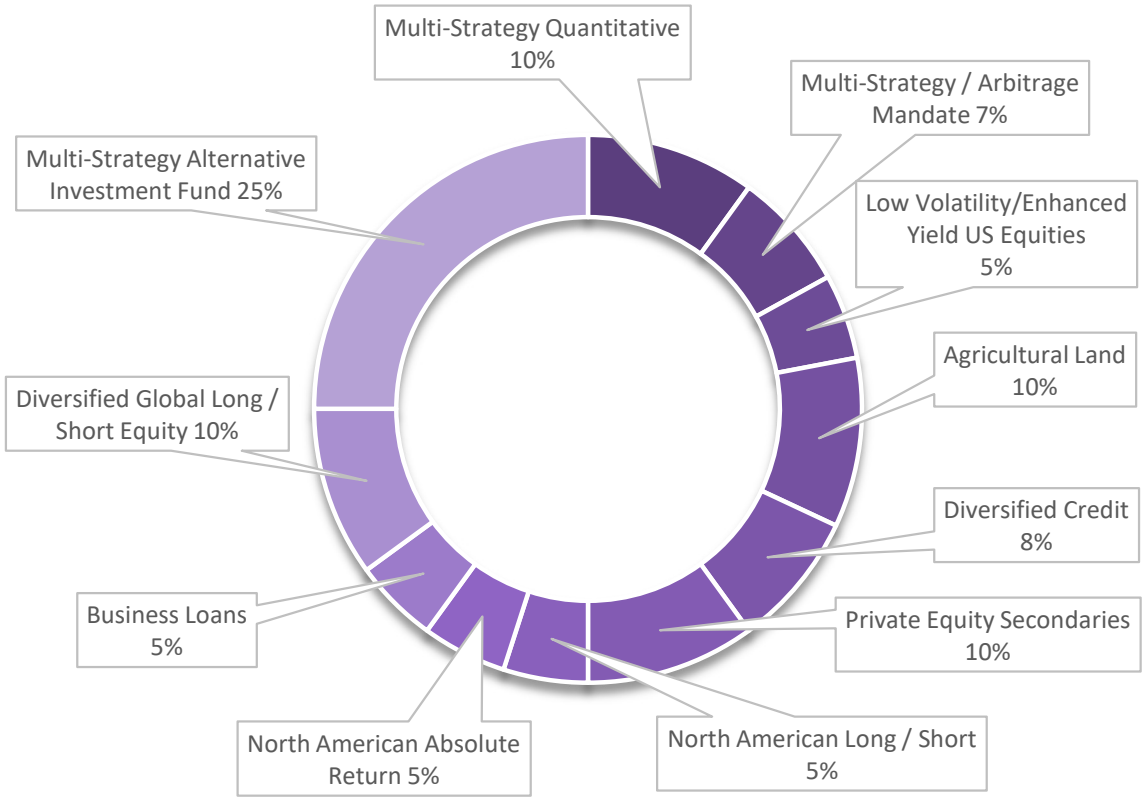


PALISADE CAPITAL

PALISADE ALTERNATIVE+ PORTFOLIO

Alternative Investment Focus Providing Diversification to Traditional Equities and Fixed Income

The Palisade Alternative+ Portfolio seeks to provide exposure to best-in-class alternative investment managers while delivering the benefits of diversification to a traditional portfolio of equities and fixed income. The portfolio targets equity-like returns with low correlation to equity and bond markets, low volatility and enhanced capital protection.



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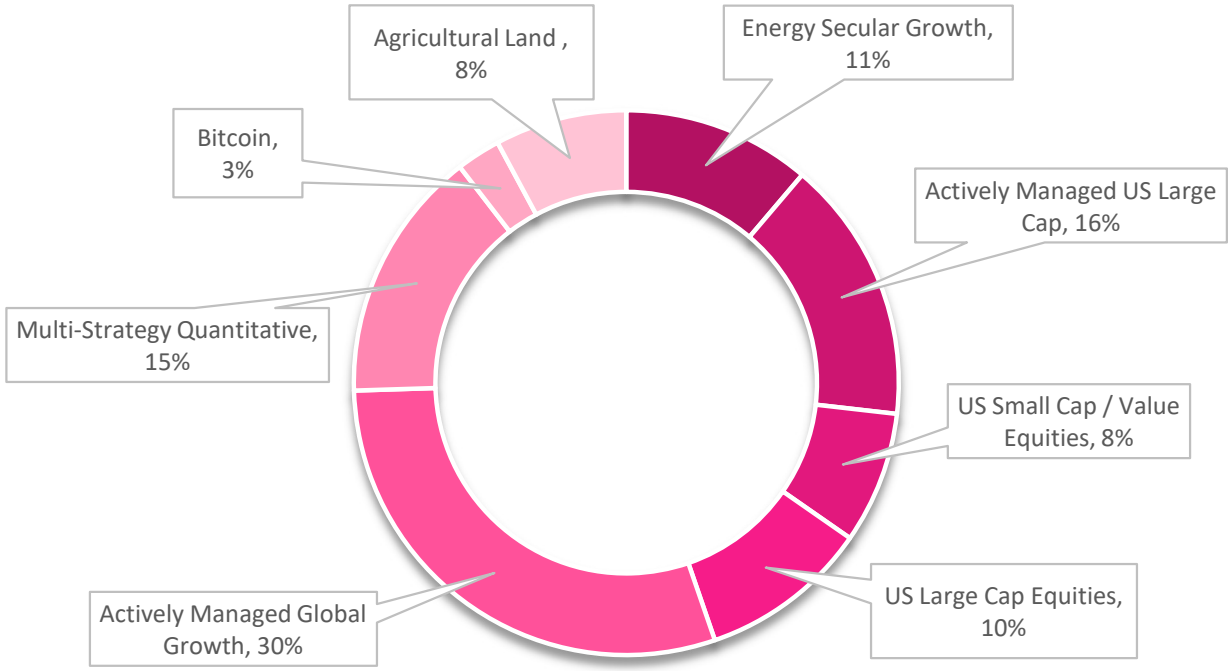
PALISADE ENHANCED GROWTH PORTFOLIO

Equity-focused portfolio targeting higher growth with volatility mitigation

The Palisade Enhanced Growth Portfolio provides investors with a diversified equity-focused portfolio that targets higher long-term capital growth. Equity exposure is complemented by growth-oriented alternative strategies that target downside protection and volatility mitigation. A true focus on higher capital appreciation through diversification and dampened volatility.

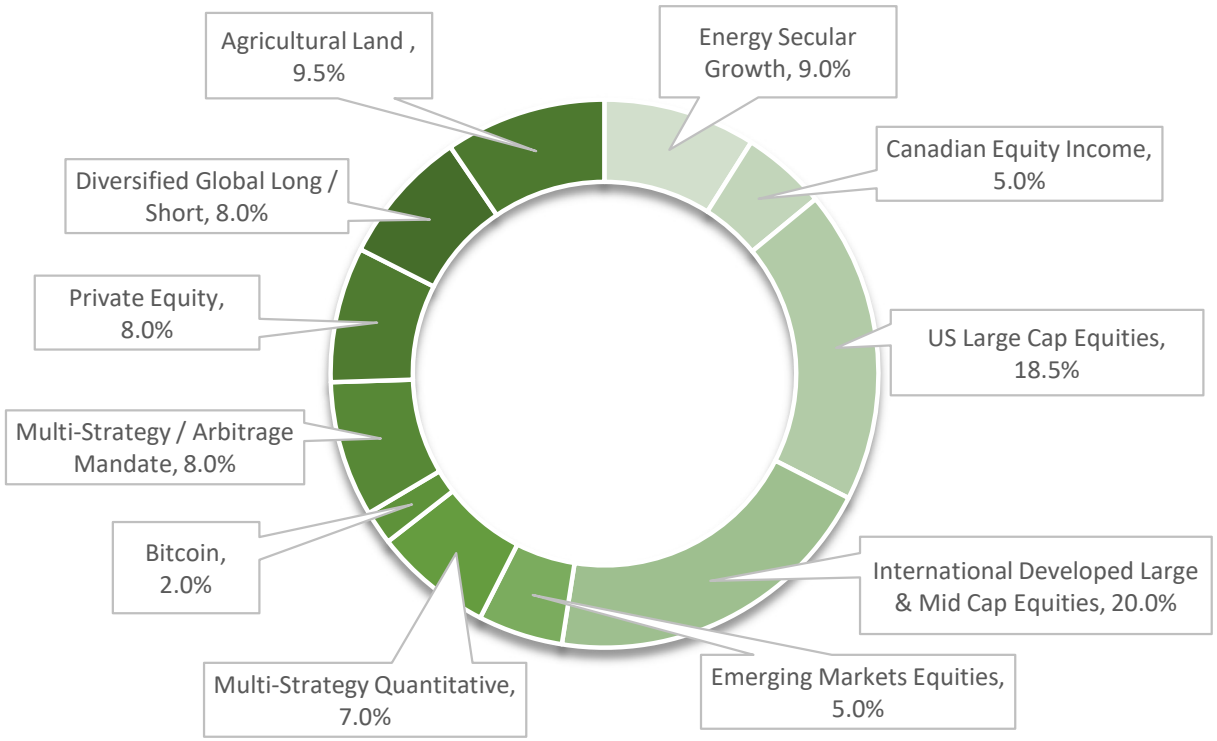


PALISADE CAPITAL

PC TARGET PERFORMANCE PORTFOLIO

Diversified exposure focusing on long term growth through securities having suitable tax treatment for professional corporations and private companies

The PC Target Performance Portfolio is a growth portfolio specifically designed for professional corporations and private companies. It provides investors with well diversified and unique exposure to global investing themes with an eye towards long term capital appreciation. True growth orientation with flexibility, diversification and downside protection through securities selected for their suitable tax treatment for professional corporations and private companies.



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Questions

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