PALISADE
CAPITAL

Our Market View in Summary — July 2026

July delivered on the rotation story we've been describing for months. High-flying AI and semiconductor names took a breather, but broad markets stayed resilient as capital found a home elsewhere. Some sessions were genuinely dramatic — growth and semiconductor names down 5% or more in a day, software names up 5% with no obvious catalyst, then a full reversal the next session with the same speed. Value sectors moved independently of that whipsaw action, and we saw the same dynamic play out within energy, where a crude oil price spike from renewed Iran hostilities sent money almost exclusively into large-cap producers while mid-cap names were mostly left behind. Algorithmic trading dominates day-to-day volume and can turn on a dime once certain price levels or macro triggers are hit — July was a textbook case of that short-term frenzy, even as fundamentals continue to be what ultimately validates where stock prices settle.

Key Highlights:

- Rotation ruled the month — sharp, catalyst-free swings between semiconductor/growth names and software, alongside value sectors that traded independently of the whipsaw, underscored just how wide performance dispersion got beneath a calmer-looking index level.
- Oil and gas told the same story in miniature - crude oil prices spiked on renewed Iran hostilities and fund flows poured into large-cap producers, while core mid-cap names lagged meaningfully behind despite sharing the same commodity price tailwind.
- Q2 earnings season is running well ahead of the negative headlines — with over 80% of US companies having now reported, earnings growth hit a new high for this cycle at 30% year-over-year growth despite tariff concerns, inflation worries, Iran-related uncertainty, and mid-term political noise that dominated the narrative only a few months ago.
- Rotation of this kind is a healthy signal, not a warning sign — it reflects confidence spreading across more parts of the economy, investor willingness to take risk in volatile markets, and the kind of broadening participation that tends to underpin a bull market over time.

Near-Term Outlook:

- A resolution to the Iran conflict would let investors refocus on total return in energy — with oil trading between US$70–$90/bbl, companies can generate meaningful free cash flow to fund buybacks and dividends, a combination capable of producing mid-to-high-teens total returns.
- We expect the mid-cap laggards from this month's energy rally to close the gap over time, as fund flows into large-cap names are less a rejection of the smaller names than further validation of the sector's long-term investment thesis.
- The rotation into quality and software names looks to be gathering strength rather than fading, aided by earnings results that continue to push back on the narrative that software growth is in the rear-view mirror.
- Earnings are a backward-looking indicator, and markets price forward expectations — so while the recent trend of earnings growth has been better than expected, we're mindful not to simply extrapolate this quarter's strength indefinitely.

Taken together, July was a reminder that a quiet-looking market index can mask a great deal of movement underneath — and that this kind of rotation, paired with genuinely healthy earnings growth, tends to be constructive rather than concerning. Short-term volatility driven by algorithmic fund flows will keep testing patience along the way, but the fundamentals continue to do the heavy lifting in validating where stock prices ultimately land.

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July 2026

Fellow Palisade Investors and Friends,

Please find attached our July 2026 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 Monday, August 17th 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

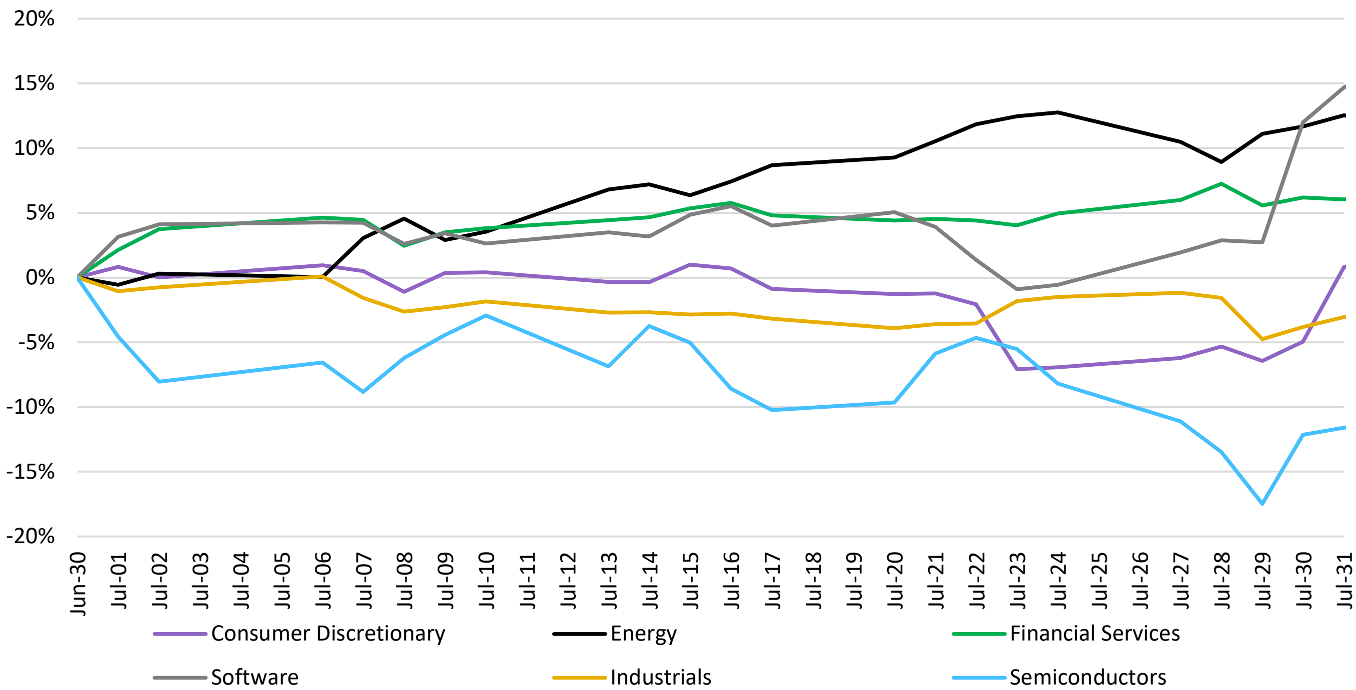
For the last few months, we have been talking about the concept of "rotation" and the likelihood of broad stock markets remaining resilient and positive, even if we saw some of the high-flying AI and semiconductor names take a bit of a breather. July was a perfect example of that rotation and the opportunity for gains in sectors outside the ones with the most momentum.

There were some particularly choppy days in July where you would see growth/semiconductor names down 5% or more, and that would result in software stocks being up 5% or more, without any appreciable catalyst. Then the next day, stock prices would reverse with the same speed and volatility. We also saw value sectors work reasonably well and act independently of the frenetic whippiness going on in the growth sectors. We even saw something similar within oil and gas. Crude oil prices spiked for three quarters of the month due to the resumption of hostilities in Iran. As oil prices increased, money flowed into the sector but mostly went to large cap producers Suncor and Canadian Natural Resources, and only selectively went to the mid-cap names. This past month has been much more binary than you would typically see in regular market trading action.

The vast majority of daily trading in the stock market is done via computers and algorithms, which can occasionally result in quick changes in direction based off preferred "factors" and macro indicators that can change fund flows on a dime if certain price levels are breached. July was a perfect example of how frenetic the stock market can be on a short-term basis, but in the long-term the fundamentals still win out to validate stock price moves.

To further illuminate our point about rotation and severe volatility under the surface, the chart below shows the monthly performance of a variety of S&P 500 sectors. As you can see, at its most extreme, the semiconductor sector (think of companies like Nvidia, Micron and Intel) was down almost 20% at its worst during the month and finished down around 12%. At the same time, software stocks were up around 15%. We also saw consumer discretionary stocks trade down by 7% intra-month while energy stocks were up about 13%. What this chart doesn't properly illustrate is the day-to-day volatility among sectors and factors. You'll just have to trust us that there were some head-spinning moves on a daily basis.

S&P 500 Sub-Sector Performance (Indexed to Jun 30th 2026)



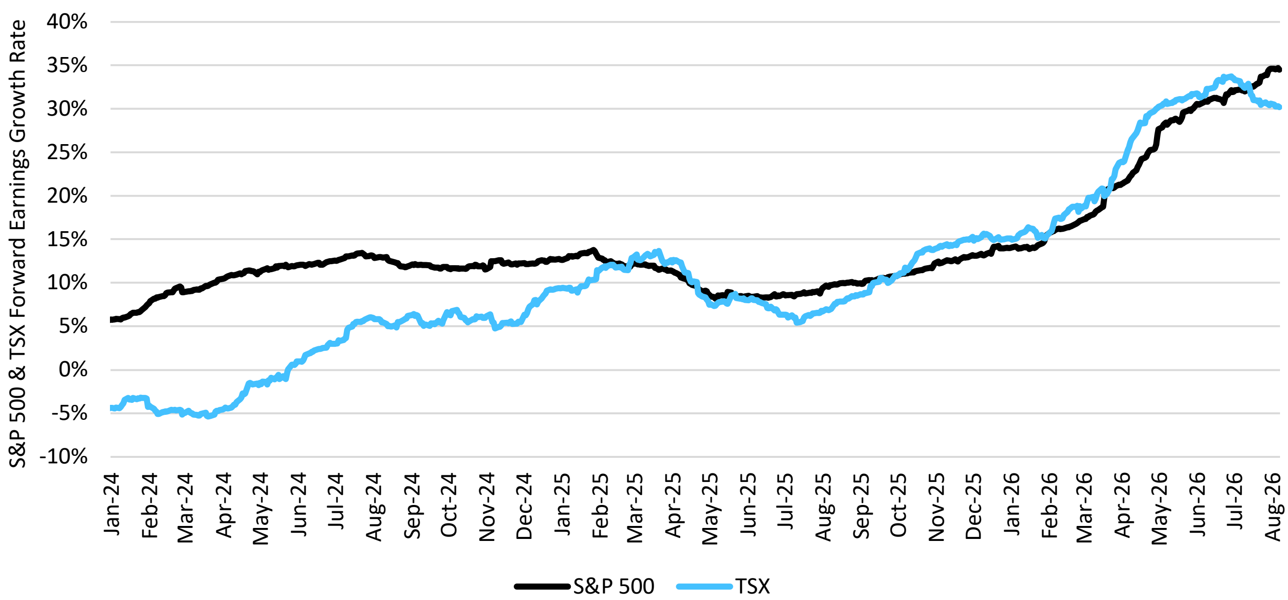
Source: Bloomberg

It's important to reiterate that rotation is positive for stock markets. It shows confidence in various parts of the economy and investor willingness to take risk by allocating capital to volatile markets. It also demonstrates value in sectors that are the beneficiaries of that rotation and generally forms the underlying trends for how a bull market can evolve over time and continue to go higher.

What also helps to drive rotation and generally higher stock prices is earnings growth – and we have been seeing a very healthy level of earnings growth so far this quarter. In the US, we have seen over 80% of companies report Q2 earnings so far. To date, those companies have grown earnings year-over-year by 32% on average! Remember not that long ago when the headlines were talking about US tariffs having a negative impact on US consumers, or that inflation was cutting into purchasing power, or that the war in Iran was creating too much uncertainty for businesses, or that Republicans might lose the Senate in the mid-terms and that would create a less streamlined business environment, etc? Well, so far, those concerns haven't gotten in the way of companies growing earnings at an impressive clip in 2026. In fact, this is the second quarter in a row of greater than 25% earnings growth and the seventh quarter in a row of double-digit earnings growth. From a cautionary lense, we do acknowledge that at some point the earnings environment will be as positive as it can be and it will flip to an environment where some investment defense will be required, but for now we believe this earnings momentum can continue.

The chart below illustrates the degree to which earnings growth has accelerated in recent quarters.

S&P 500 & TSX Indices Year-over-Year Blended Forward Earnings Growth (%)



Source: Bloomberg

While TSX forward estimates have moderated slightly, the US numbers continue to move higher based on positive guidance from corporate management teams when releasing quarterly financial results. These are fundamental positives that keep our market outlook skewed to the positive. We should acknowledge that current earnings are a backwards-looking indicator and the stock market is looking forward and pricing in expectations for future earnings, so there is danger in assuming that these recent positive trends will continue. That said, the trend has been positive, and earnings have been growing more than expected, especially in the face of all of the challenges that are brought up in the investment media landscape on a regular basis.

PALISADE MODEL PORTFOLIOS UPDATE

We continue to adjust our model portfolios in an effort to position them well as dynamics change in the investment environment. While public equity strength has contributed well to the performance of our model portfolios, there aren't many other sectors working to the same degree of success. Real estate is under pressure, private credit and private equity are largely seeing outflows and moderated returns, while the returns of many arbitrage strategies and long/short strategies are also moderating. As the investment environment has shifted over the past 12-18 months, returns from such strategies have been reduced and we are transitioning our model portfolios as appropriate.

In making changes to our model portfolios, we are focused on three main criteria for new investment funds coming into our models: (1) more consistently positive performance in the last year or two as competitor fund returns have moderated; (2) a higher degree of redemption liquidity (allowing for faster changes to the models in the future); and (3) less Canadian alternative managers due to Canadian managers generally having less scale and access to capital as a whole. These changes are ongoing and should be reflected in return performance in the coming months.

In the meantime, we are seeing the equity holdings in our model portfolios perform very well in the current market environment. Our equity investment funds are generally up over 20% over the past year while our Palisade Select Fund, which is included in our growth models, is up around 40% over that timeframe. We're also seeing some of the recent additions to the model portfolios performing in line with their historical averages (10% to 13% annualized range), so we're happy to see that in the early stages of their addition to our model portfolios.

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 5.8% in July. The S&P/TSX Capped Energy Index ("Energy Index") was up 16.4% and the WilderHill Clean Energy Index ("ECO") was down 17.9% for the month.

Above, we briefly mentioned some of the frustration this month within the oil and gas sector. Money flowed into the space quite dramatically, but the money largely went towards two of the large cap names that make up half of the Energy Index, Canadian Natural Resources (CNQ) and Suncor (SU). CNQ was up 19.0% and SU was up 23.4% this month while other oil-exposed companies like IPCO and Athabasca were up 2.5% and 1.4%, respectively. Other core mid-cap oil and gas companies that underperformed the two large-cap leaders include Tamarack Valley (up 8.4%), Headwater (up 12.0%), Peyto (up 8.7%) and Tourmaline (up 4.4%), to name a few. At the end of the day, while frustrating in the short-term, we do think the fund flows into the space and into large-cap names is further validation of the long-term positive investment thesis for oil and gas stocks. We fully expect that the laggards from last month will catch up over time.

Our medium-term energy investment thesis would prefer to have the Iran war behind us to allow investors to focus on the total return opportunity that exists in the space if we can have oil prices trade between US$70 and $90 per barrel. In that environment, companies would generate meaningful free cash flow and use it to buy back shares and pay dividends. For many companies, a total return in the mid to high teens would be every achievable as a combination of free cash flow yield, % of shares outstanding repurchased, and dividend yield. Investors will generally pay a higher valuation multiple for companies that can demonstrate some level of stability in generating those returns and we would expect to see stock prices go up as a result. Having war headlines continually dominating the space distracts from the attractive return potential that exists in a more normalized environment. We think we'll get there shortly and that we'll see some of the mid-cap laggards from this month make a move higher at the same time.

The **Palisade Horizon Fund** ("PHF") was up 1.0% in July.

The Fund continues to demonstrate some encouraging independence from the broader stock market on a daily and weekly basis. We are seeing more stocks in the "quality" basket outperform, and while there has been an increase in the day-to-day volatility in some of these names in the last few months, we are seeing a more regular rotation into these "quality" names that our PHF screens are highlighting. The last few months have seen the performance of the Fund improve and we would expect that to continue, especially if we continue to see this rotation dynamic in the markets that we have described above.

Software holdings such as CSU, KXS and DSG were up 12%, 10% and 7% respectively in July, supported by the rotation that we saw in the latter half of the month and which has largely continued so far into August. Strong earnings results from the software names should continue to dispel the narrative that "all software is dead", with the latest example being Shopify's (SHOP) recent quarterly results, with it beating estimates for revenue (+34% YoY), earnings (+30% YoY), free cash flow (+55% YoY) and raising full-year guidance across the board. AI-driven orders were up 3x year-over-year while AI search conversion to purchasing decision was ~80% higher than organic product search. While currently a smaller portion of their overall offering, AI-specific examples like this should grow in scale over the next few quarters and start to show up as meaningful contributors to businesses that are able to leverage the technology.

The screens rotated out of CSU and DSG for the month of August, however we have decided to retain the two companies in the portfolio in order to hold on to what has been a gradually strengthening rotation into the software sector and Canadian quality names. Some of the screen-based names added to the portfolio this month were Brookfield Asset Management (BAM), Toromont (TIH), Boeing (BA) and Visa (V), all of which, apart from BAM, have come in and out of the screens over the past year.

The **Palisade Vantage Fund** ("PVF") was up 2.5% in July. For the month, the S&P/TSX Canadian Dividend Aristocrats Total Return Index ("Aristocrats Index") was up 2.5%, while the S&P/TSX Composite Total Return Index ("TSX Composite") was up 1.2%.

There are parts of the market that are starting to get expensive. Canadian banks are one of those sectors. We have trimmed around the edges in some of our bank holdings to lock in some profits while acknowledging that the momentum has been very strong in the sector this year. Every time we have even entertained the idea of trimming in recent months, the stocks would go on a run, but finally at current valuations we felt like we had to trim at least a small amount of the positions. We haven't added new names to the PVF, instead preferring to add to existing positions. In the near term, we are considering small sales among the energy royalty companies in the portfolio. Some energy infrastructure names are also looking a little expensive. For prospective buys we are looking at company-specific financial services, additional exposure in rails and transportation, and potentially beaten-up software names that pay a reasonable dividend. Rotation will also be the name of the game in the dividend-oriented sectors on which the PVF is focused.

We hope that your summer has been going well. As always, we are available to discuss 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 kseniia@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.