Our Market View in Summary — March 2025

The rollout of the Trump administration's tariff plan has triggered significant market volatility, creating short term declines that we haven't seen since COVID-19 and the 2008 global financial crisis. While we've been analyzing potential tariff strategies in previous updates, the actual implementation has been more abrupt than anticipated. Rather than the gradual, staged approach employed in 2018-19 that minimized economic disruption, the current strategy's "move fast and break things" implementation and poor communication have spooked investors globally, leading to swift market declines across the board.

Key Highlights:

- Global equity indices have declined significantly, with the NASDAQ Composite down 27% and the S&P 500 down 21% peak-to-trough.
- European and Asian markets continue to outperform US markets, though correlation between all markets has increased and declines in those foreign markets have also been steep.
- The Volatility Index (VIX) reached 60 on April 7th, its fourth highest reading in 35 years (only exceeded during the 2008 global financial crisis, the 2020 COVID outbreak, and briefly in August of last year).
- Market sentiment indicators suggest that we're approaching bear market lows on multiple metrics.
- Canada has largely avoided new tariffs outside of steel and aluminum, which positions the Canadian economy favorably.

Near-Term Outlook:

- Current market conditions are challenging as they're driven by unpredictable headlines and tweets rather than economic fundamentals.
- We anticipate that the US administration will be unwilling to endure further 15 to 20% market declines, especially as political and business pressure mounts.
- Sentiment is extremely negative, potentially setting up a meaningful relief rally on any positive policy changes.
- Current combination of negative sentiment, weaker US dollar, and lower interest rates may present buying opportunities for long-term investors.
- Despite uncertainty in trade policy implementation, sentiment and momentum indicators still provide some roadmap for navigating this environment.

This market environment presents unique challenges as it stems from deliberate policy changes to global trade relationships with few historical precedents for investors. While we must approach these markets cautiously, the extremely negative sentiment readings suggest we may be closer to a market bottom than many anticipate. Our model portfolios are well positioned with many allocations to investments not directly tied to daily stock market performance, providing resilience through market volatility and downside protection during challenging periods. We remain vigilant for opportunities that may emerge as markets stabilize, particularly for investors with long-term horizons.

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March 2025

Fellow Palisade Investors and Friends,

Please find attached our March 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. Per our schedule of holding two client conference calls per quarter, we are not planning a call for this month. That said, we are always happy to answer questions about the markets, so please feel free to reach out at any time.

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

We're starting this month's commentary with a preface: by the time you read this you will have already seen or heard every possible negative interpretation of the Trump tariff plan that was laid out by him in detail after markets closed on April 2nd. In addition, you've probably already heard every "Liberation Day" joke to this point as well, so we won't try to add another joke about being "liberated of profits" onto the pile.

This is a difficult update to write, mostly because we don't want to repeat all the negativity that you've already heard in different places, but we also don't want to avoid the negativity and have you think that we're looking at markets through rose-colored glasses. For the last couple of months, we have been trying to illuminate the US tariff strategy and provide some insight on what it might look like if the US administration did eventually implement tariffs on most/all of its trading partners. If you recall those commentaries, we said that they will be trying to thread a needle with such broad changes to global trading policies. We also highlighted that a key mechanism in the rollout of tariffs would be the need for them to be implemented slowly over time, and staged, in order to allow consumers and businesses to adjust to higher prices and minimize supply chain disruptions. This is what the US did when they put initial tariffs on China in 2018-19, which resulted in very little impact on the economy.

Unfortunately, that has not been the case this time around. At the end of the day, the ham-fisted and ignorant implementation of the policies and amateurish communication strategy has spooked investors and citizens across the political spectrum and around the world. This unified confusion and disagreement has led to a swift market decline, the degree to which has only been seen previously during COVID in 2020 and the global financial crisis in 2008. Bear markets are a feature, not a bug, of investing, and the cost to earn higher returns over the long term, but they've never been purposefully caused by a US administration in such a blatant manner.

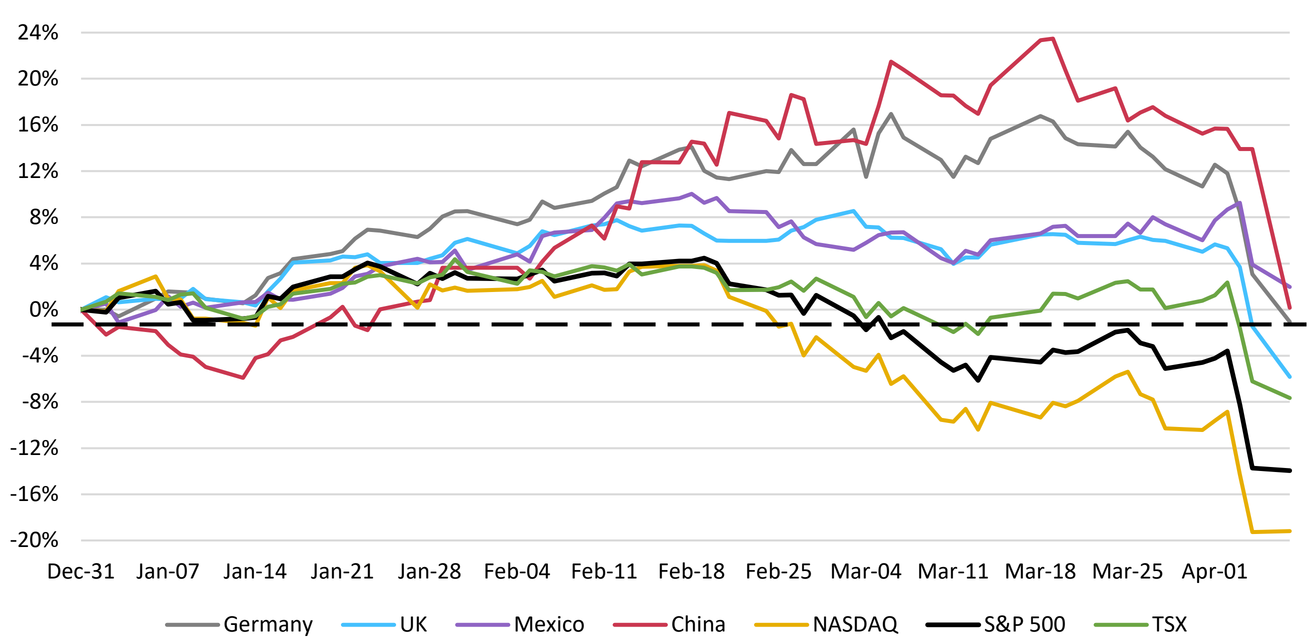
With that said, let's highlight a few points that haven't been getting quite enough focus while the politics of tariffs and bear markets take center stage:

1) At least for now, the fact that Canada has largely avoided new tariffs, outside of steel and aluminum, should be seen as a big win. Obviously, this may change once the Canadian federal election is over, but for now, if we don't see material additional tariffs while our government is required to focus on key economic issues, we could be set up nicely once tariffs and politics settle down a little.

2) Markets have moved down so quickly that we are already approaching bear market lows on many sentiment and momentum indicators. This may indicate a turning point sooner than many may think.

We’ve included two charts below. The first just shows where various market indices are today (April 7th) and updates the data that we presented last month. As you can see, the outperformance of European and Asian markets versus the US continues, but unfortunately the correlation between all of these markets has gone up and these international markets have all taken meaningful losses in the last week. We do think that the US administration is serious about the implementation of tariffs, but we also think that there is only so much pain that they are willing to endure in the short term. US markets are in a bear market, regardless of the specific percentage that they’re down from their highs. With the NASDAQ Composite Index down 27% peak-to-trough and the S&P 500 Index down 21%, we don’t think there will be conviction in the US administration to see markets decline by a further 15 to 20% from here. We don’t have any specific insight on that front, but we are seeing politicians from both sides of the aisle, as well as business leaders, starting to publicly question the direction of US tariff policy, so the pressure is building on the Trump administration to adjust its strategy.

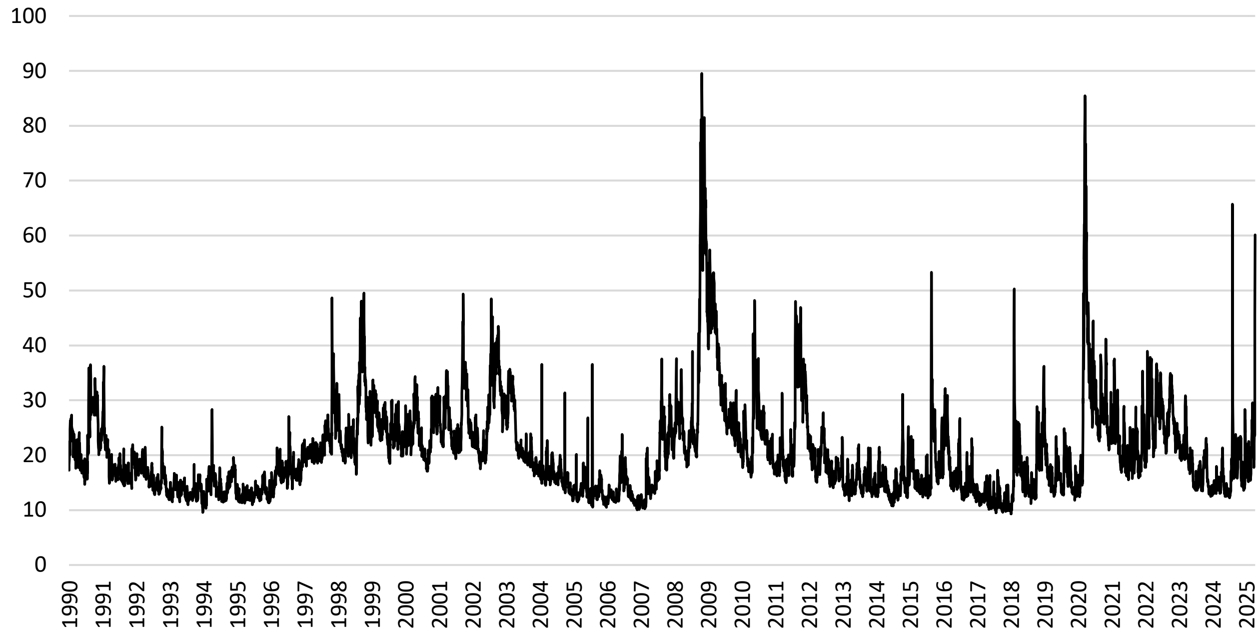
Global Equity Indices YTD Performance



Source: Bloomberg

The second chart is the Volatility Index (VIX) in the US. Historically, this has been an effective measure of showing when fear is at a peak, which usually coincides with market bottoms. At market open on April 7th the VIX hit a reading of 60, which is the fourth highest reading going back 35 years. As the chart shows, the only higher readings occurred during the global financial crisis in 2008, the COVID outbreak in 2020, and a bit of a strange outlier in August of last year. While it’s hard to have clarity into the rollout and communication of the US tariff policy over the next few months, we can look at the current situation and say that prices declined very quickly, and on various sentiment indicators are pointing to being oversold in the short term. As investment managers, we’re going to need to play some defense in the coming weeks/months due to the general uncertainty of economic policy, but we can say that a large portion of investors have been scared out of the market and any incremental change towards the positive should allow for a meaningful relief rally. Beyond that, we will have to watch tariff policy announcements, the direction of interest rates, global liquidity and other sentiment readings for a more lasting change in trend.

Volatility Index (VIX)



Source: Bloomberg

Overall, this market environment is challenging because it's driven off headlines and tweets that change on a moment's notice and a desire to make material changes to global trade relationships, which will take serious conviction, and is proceeding down a path that no investor has experienced previously. With few benchmarks for implementation, we think it is important to tread cautiously, but we also acknowledge that sentiment and momentum continue to provide at least a bit of a road map, while the economic road map is being drawn up for the first time. Sentiment is extremely negative, so we will watch closely for opportunities of a market reversal. When combined with a weaker US dollar and lower interest rates, the negative sentiment does look interesting in the short term to provide a real buying opportunity, especially from a long term investing perspective.

Below are the performance numbers for the various Palisade model portfolios, current to January 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 will generally see these model portfolios exhibit much less volatility month-to-month, and most importantly, much less downside through challenging stock market periods.

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

	1-Yr	3-Yr	5-Yr	Description
Growth+ Portfolio	18.1%	8.5%	12.4%	Long-Term Growth Focus
Inflation+ Portfolio	8.9%	8.6%	9.3%	Low Volatility Growth/Inflation Protection
Income+ Portfolio	8.9%	5.8%	7.3%	Income / Moderate Growth Focus
Preservation+ Portfolio	7.6%	3.9%	5.8%	Capital Preservation Focus
Alternative+ Portfolio	9.0%	6.7%	8.7%	Uncorrelated Growth/Capital Protection

*Returns for periods longer than one year are annualized.
Please see the Model Portfolios Hypothetical Performance Disclaimer below.

PALISADE FUND COMMENTARY

The **Palisade Select Fund** ("PSF") was up 6.3% in March. The S&P/TSX Capped Energy Index ("Energy Index") was up 4.5% and the WilderHill Clean Energy Index ("ECO") was down 10.3% for the month.

The solid month in March was driven by our overweight position in natural gas-focused companies and a meaningful recovery post the announcement on March 3rd that OPEC+ would start bringing production back to market. That announcement came as a surprise given that OPEC+ had been much more sensitive to protecting price and had continued to delay the previously announced production increases from late 2024. The market response through the balance of March looked to be more along the lines of "all the bad news is out of the way" and energy was a leading sector in both Canada and the US.

Unfortunately, what is more relevant is the early performance in the month of April. We entered the month with a cash position of 9%, which was the proceeds from sales we had made in various natural gas-oriented producers that had run up during March and had become overbought in the short term. The combination of the Trump tariff announcements on April 2nd and OPEC+ announcing the very next day that production would return to market more quickly than previously announced has knocked the sector back to where it was at the beginning of 2024 and near the low end of the range that the sector has been in for the last three years.

The short-term positives would be that the fundamentals behind natural gas continue to look strong and will likely look even stronger if a lower crude price drives less oil drilling activity, which will create less associated gas production. Natural gas has been one of the best performing commodities over the last year and should continue to be a relative outperformer. On the negative side, the risk of a recession has picked up dramatically in the last week and any sniff of demand destruction will be a reason for capital to exit the sector even if the medium to long term outlook remains positive. We think that much of that fear has been priced in at current levels.

The **Palisade Absolute Fund** ("PAF") was down 1.5% in March. The challenges presented by the Trump tariff implementation strategy are making the growth screen names in both Canada and the US a little less important in the short-term versus risk management. We have reduced our net exposure to 35% in the last few days, but fully expect to be buying some of the highest quality names on our screens that have become well oversold during this sell-off. If we see any progress on trade negotiations between the US and its larger trading partners, that would be a good sign to potentially allocate some capital to high quality names with more confidence.

The **Palisade Vantage Fund** ("PVF") was down 1.2% in March. For the month, the S&P/TSX Canadian Dividend Aristocrats Total Return Index ("Aristocrats Index") was up 0.7% while the S&P/TSX Composite Total Return Index ("TSX Composite") was down 1.5%.

We've seen some of the more economically sensitive names that were added to the PVF in the last few months struggle somewhat in the context of concerns around tariffs and their potential economic damage, but overall the PVF continues to operate in a way that we're happy with. With concerns around economic weakness going forward, markets are now expecting at least a 1% interest rate cut from the US Federal Reserve in 2025, which will help the performance of dividend paying stocks once the tariff clouds break a little. Obviously, we need to gain some visibility regarding the economic outlook and some stability from the White House in its policy implementation strategy, so in the mean time we have raised around 10% cash in PVF and will look to play more defense in the very short term.

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.