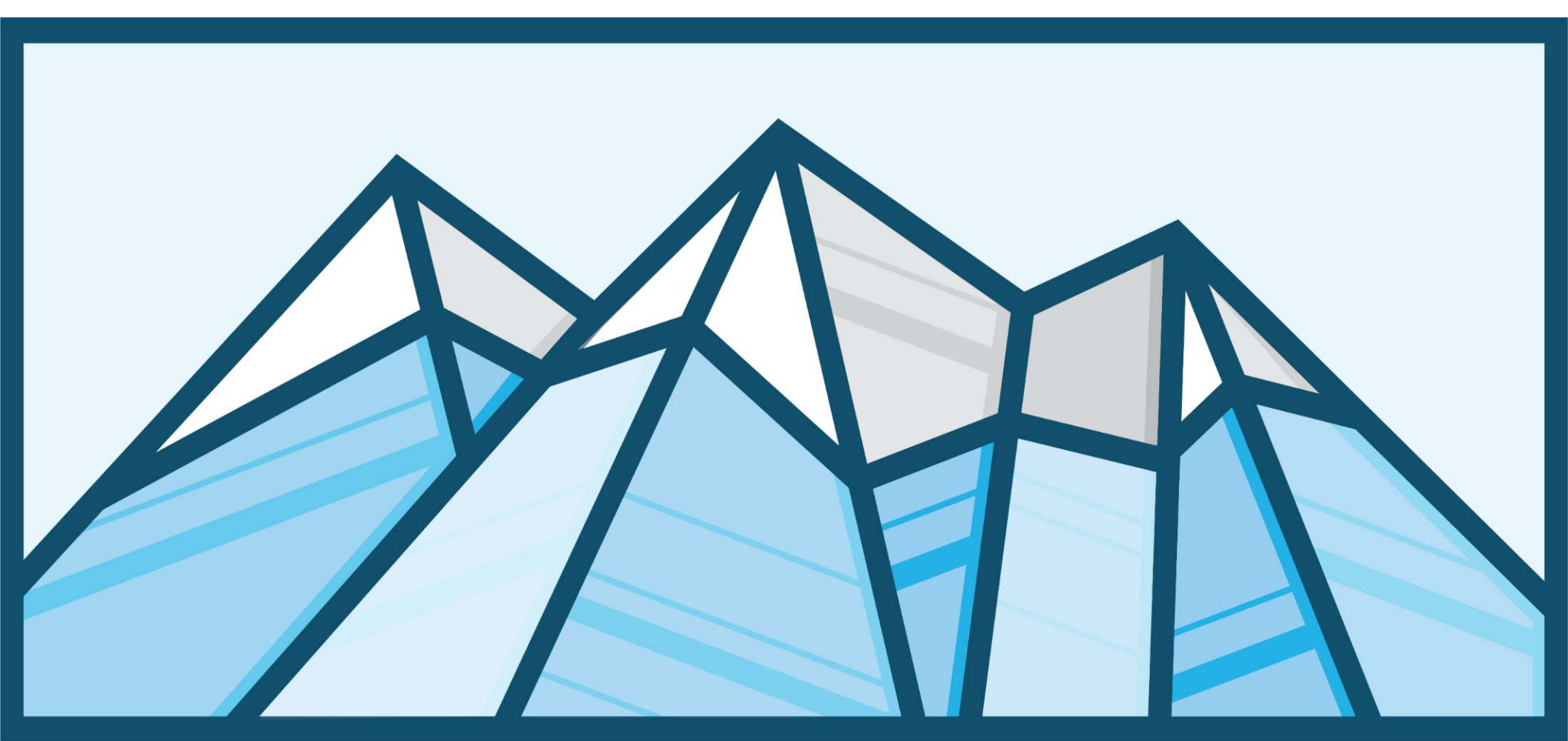




PALISADE CAPITAL CLIENT UPDATE

September 2026: So, We're Raising Rates??

September 17, 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+

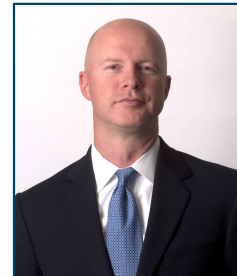
Preservation+

Inflation+

Alternative+

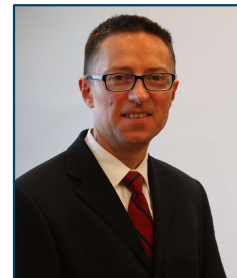
Endowment+

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

August 2026 Fund Review

Horizon Fund (“PHF”) down 1.6% in August

- PHF was subject to the rotation out of most sectors and into materials and commodities stocks this month.
- Bigger picture we see software stocks continuing to catch a bid on pullbacks, which we think portends some continued gains in those beaten up names going forward
- Screens continue to highlight quality names in software, utilities, healthcare and certain financials

Select Fund (“PSF”) up 1.7% in August

- S&P/TSX Capped Energy Index was up 2.4% in August. WilderHill Clean Energy Index down 1.5%
- Oil stocks continued positive momentum, but it is important to note that the oil and gas stocks are not trading up as much as the commodity. Investors don’t think that spot oil prices will be sustainable
- We have seen more acquisition activity in the Canadian oil patch with the merger of Tamarack Valley and Headwater. We own both in PSF. Tamarack will become the only easy access to the Clearwater play (Spur is private)

Vantage Fund (“PVF”) down 2.2% in August

- S&P/TSX Composite Total Return Index up 3.1% for the month. S&P/TSX Dividend Aristocrats Index down 2.3%
- This is a perfect example of the aggressive rotation in markets this month. Dividend paying stocks took a breather, as evidenced by the PVF performance and the Dividend Aristocrats pullback, while materials and energy moved overall markets higher
- There is a developing gap in valuation between certain dividend oriented sectors. Industrials and some utilities look cheaper relative to some financials



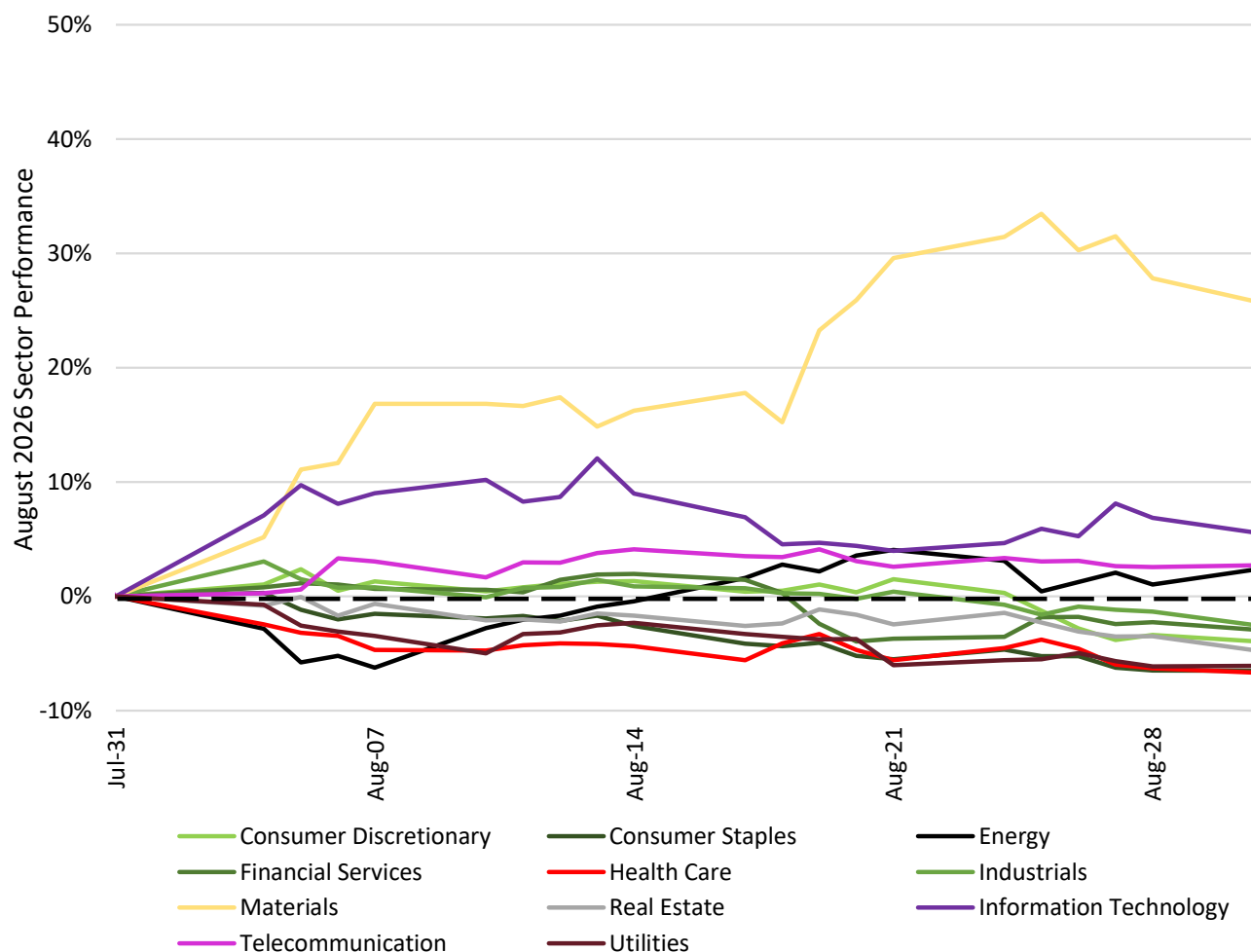
Section I: Interest Rates Driving Extreme Rotation

Extreme Rotation in August

TSX would have been down without gold and copper stocks

S&P/TSX Composite August 2026 Sector Performance ⁽¹⁾

- Basic Materials (a.k.a. gold and copper companies) was up over 25% in August and makes up 19% of the TSX index
- TSX was up around 3% this month, but would have been down without the contribution from the Materials sector
- Some smaller contributions from Energy and Shopify, while dividend stocks and other sectors were weaker
- Partly due to higher interest rates in the bond market which drove money out of non-inflationary sectors
- US Federal Reserve raising rates yesterday may change these flows

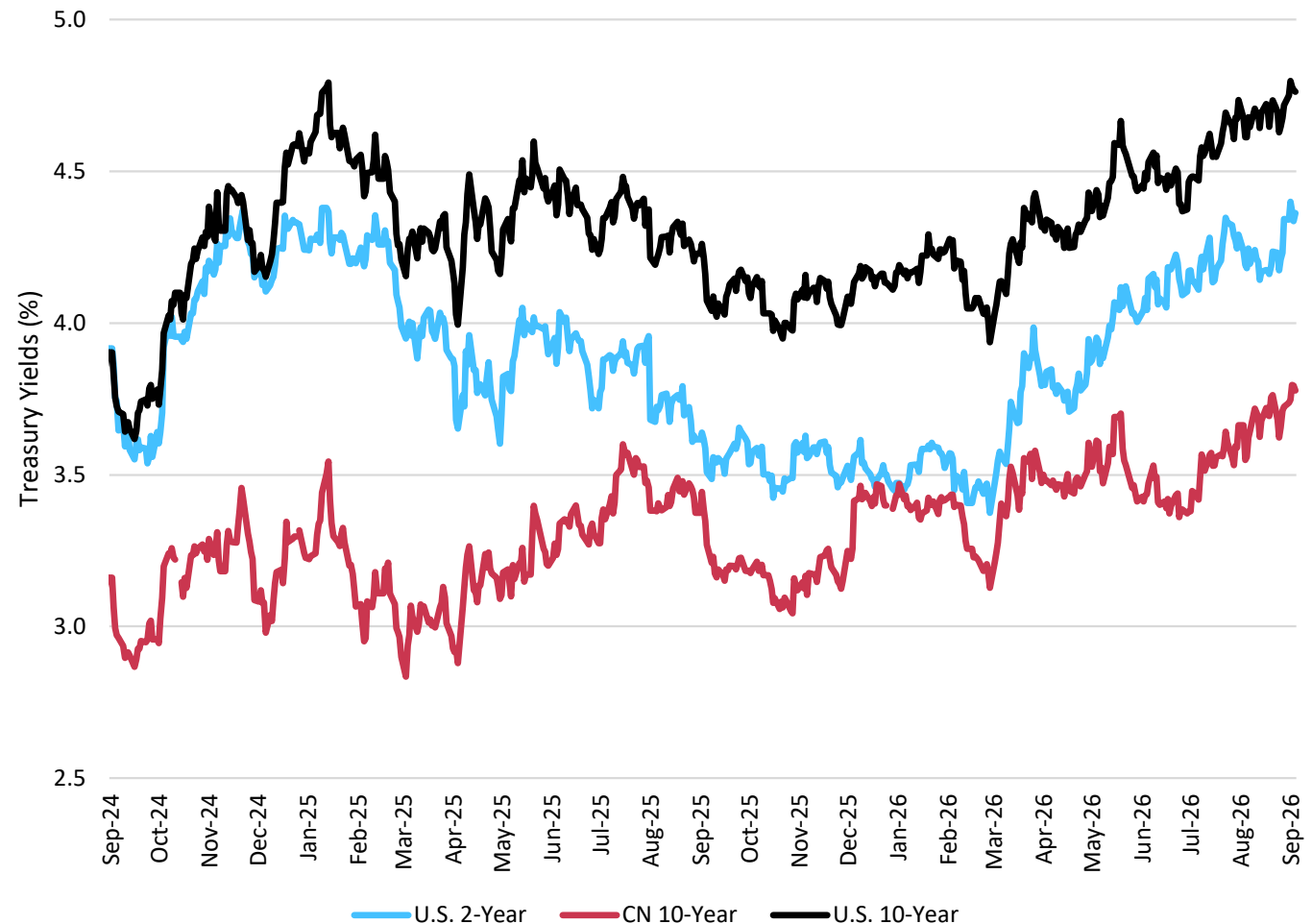


Bond Yields Have Been Creeping Higher on “Sticky” Inflation Fears

Market is pricing in US Federal Reserve rate hikes in September and potentially October

U.S. and Canadian 2 and 10-Year Yields⁽¹⁾

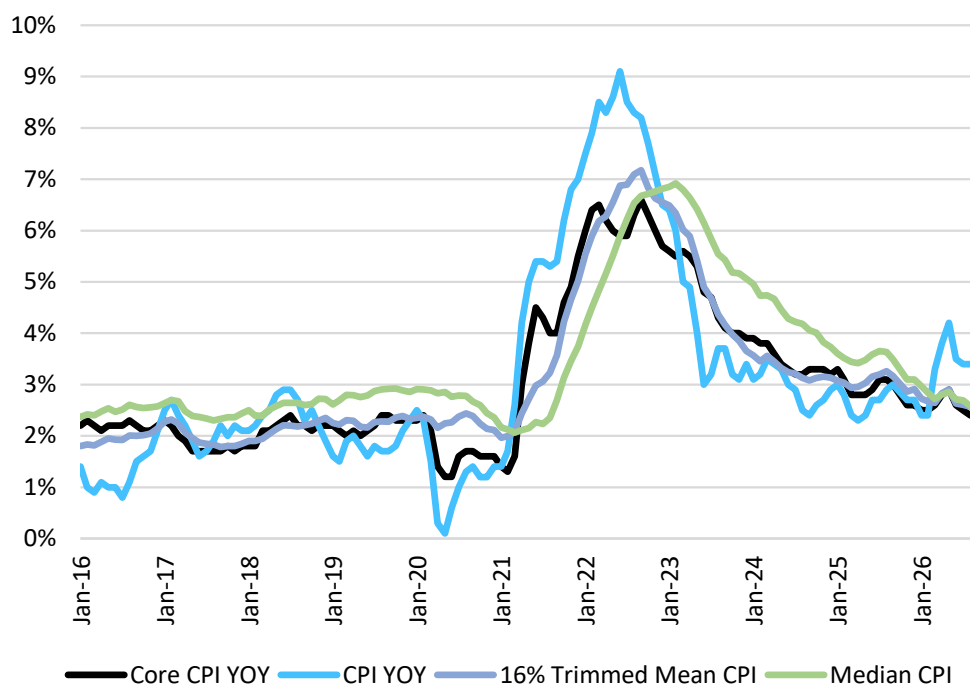
- We have been in the camp that the Federal Reserve does not need to raise interest rates, but it looks like we were wrong. That said, we disagree with yesterday's decision
- While we may disagree, we need to be flexible in our outlook
- Slightly higher interest rates are generally fine, as long as the increase is small, slow and steady
- 2022 rate hiking cycle caused bear markets in all asset classes due to the swiftness of the change
- In 2022 the Federal Reserve hiked rates by 0.75% in FOUR consecutive meetings



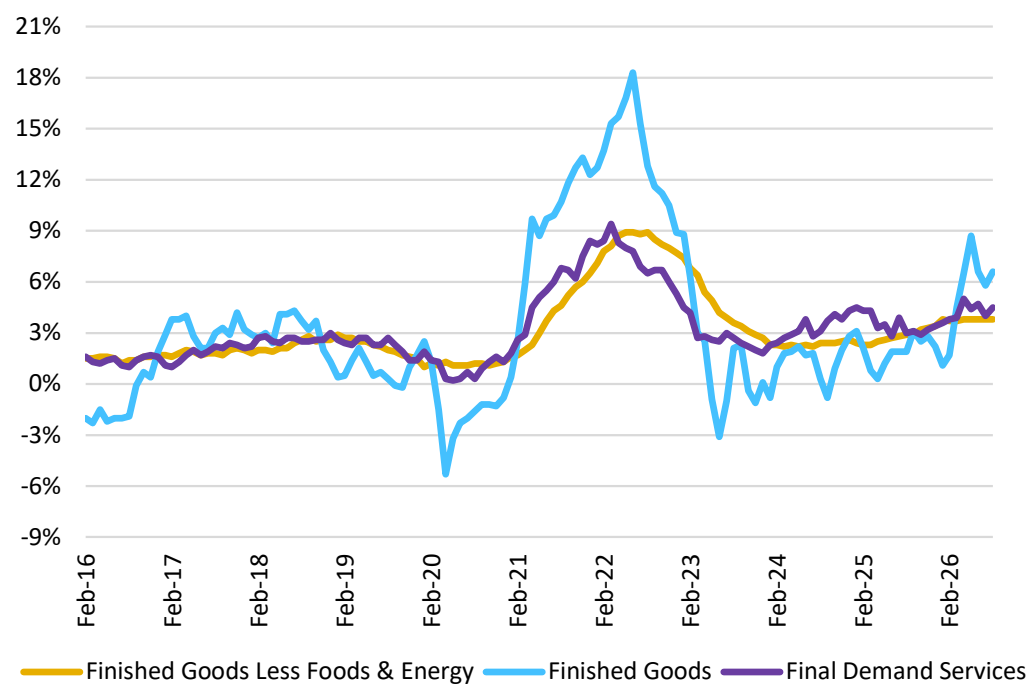
We Have to Say That We Disagree

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

CPI Measures (% YoY)



PPI Measures (% YoY) ⁽¹⁾

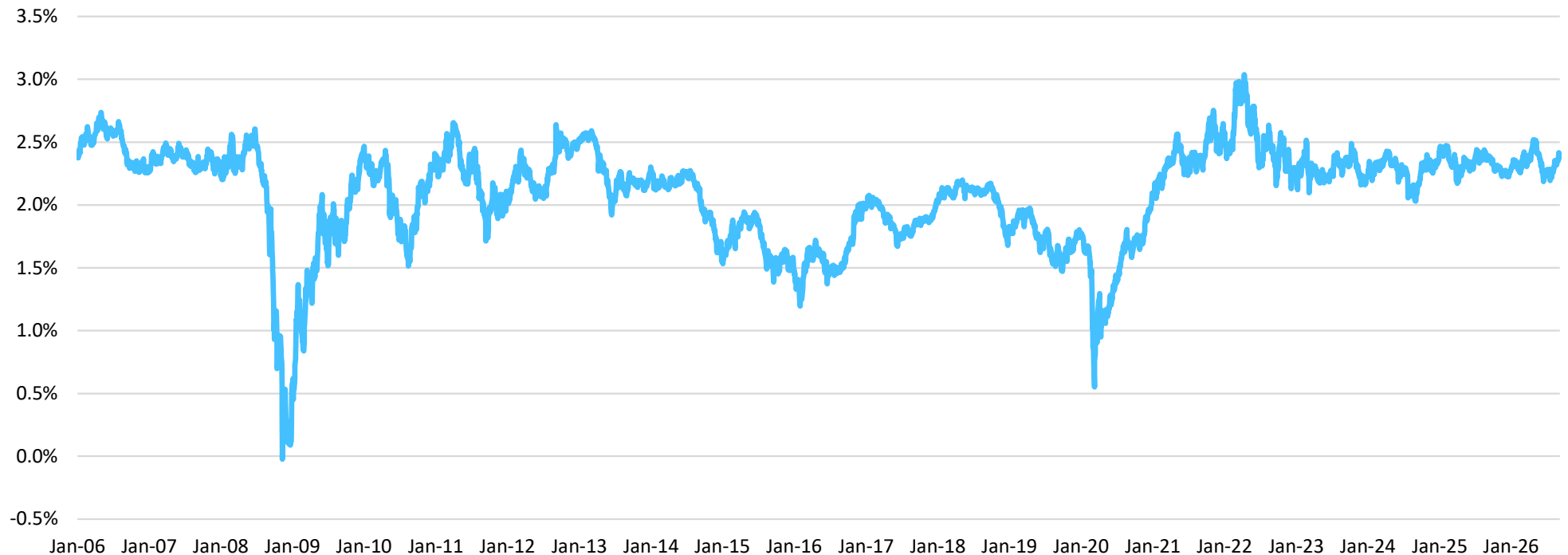


- Core CPI, which removes energy and food, is the black line in the left chart. As you can see, it is still benign and creeping lower. There are many reasons why we need to see an end to the Iran war, and this is one of them
- A lower oil price would eliminate much of the upside risk to inflation expectations going forward. There is some inflation in food and finished goods, but part of that is also oil related
- Higher interest rates aren't going to have a direct impact on the price of oil, so what's the purpose of higher rates?

Long-Term Inflation Expectations Remain Anchored

...but slightly hesitant to commit to full-time hiring

5-Year TIPS Breakeven (Inflation Rate Expectations) ⁽¹⁾

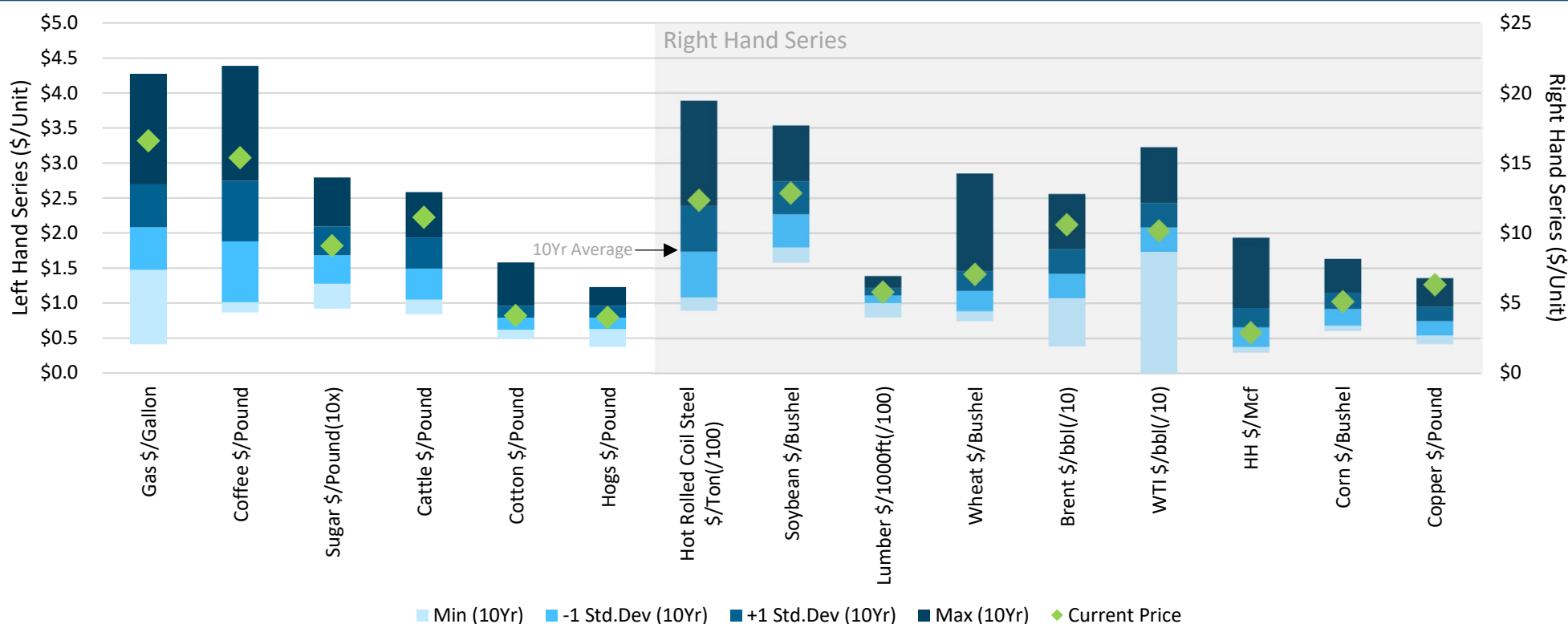


- Long-term bond investors continue to expect inflation between 2.25% and 2.5% annually over the next five years, which is technically above the Federal Reserve's 2% target, but also not high enough to impact economic activity
- This datapoint would suggest that we won't likely see a large number of rate hikes in the near future
- While the US economy continues to be in good shape, there are sectors like housing that are struggling, so meaningful rate hikes would impact an already beaten-up and important part of the economy

Commodities Trading in the High End of Their 10-Year Ranges

Doesn't have to mean that prices will come down, but it reflects the trade-off with rates

Commodity Prices and Distributions ⁽¹⁾



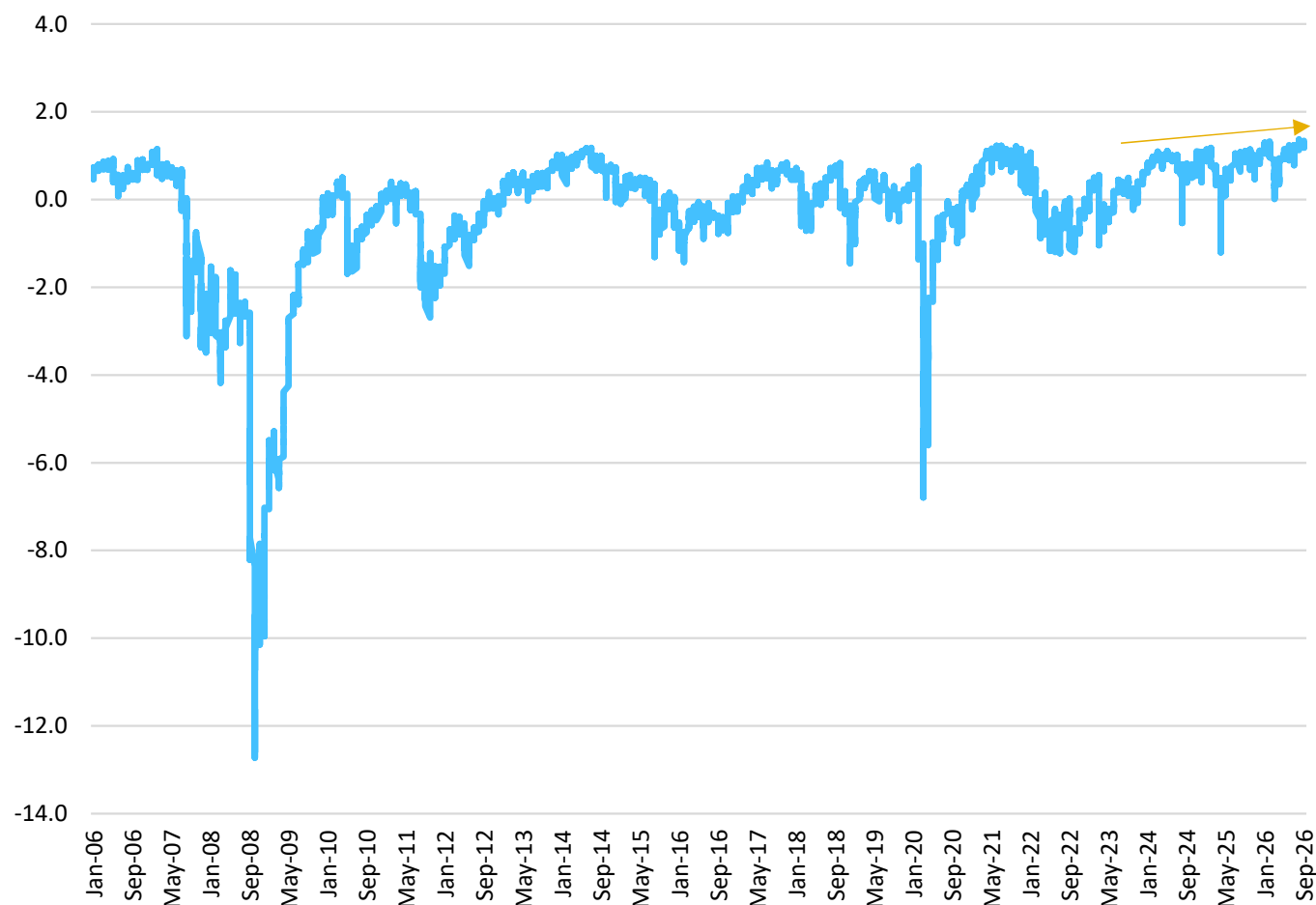
- Technically, higher rates will be a headwind for commodity prices because higher borrowing rates impact demand
- The generally higher price levels of most commodities points to longer standing trends, but also some validity to concerns around inflation
- Ending the war in Iran would lower oil prices and likely also bring down other commodity prices

Financial Conditions are Stable in Advance of Rate Hikes

Financial conditions point to reasonable access to capital and financial liquidity

Bloomberg Financial Conditions Index ⁽¹⁾

- The Bloomberg Financial Conditions Index is an overall measure of the ease or stress in financial markets according to cost and availability of credit
- If the number is above zero (like today) it means that money is easier to borrow, markets are calm and economic growth is supported as a result
- Broader capital market financial conditions were in a healthy and normal position before interest rate hikes, so there should be room for ongoing stability if rates were to go a little higher from here





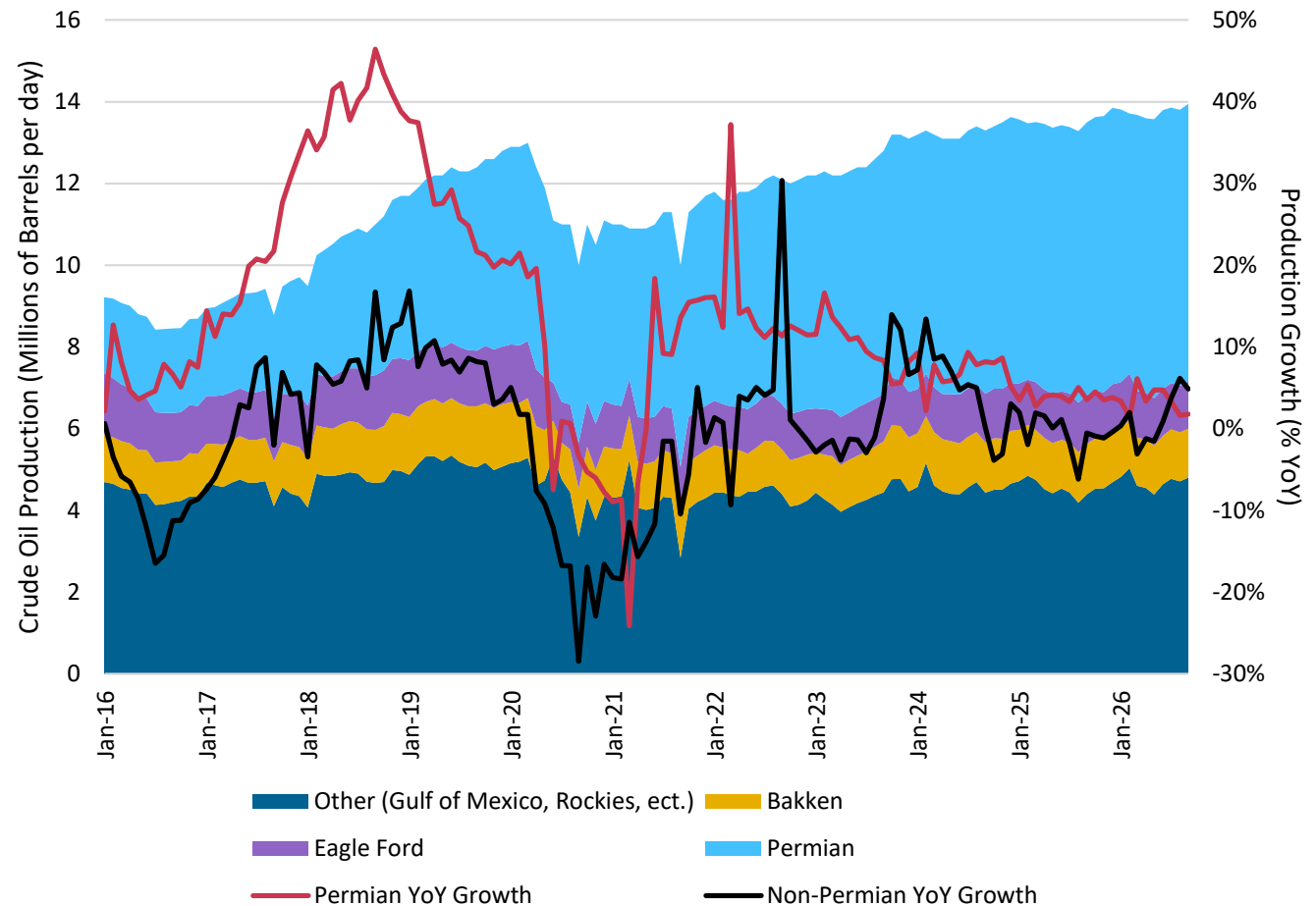
Section II: Oil Update

US Oil Production Continues to Grow, But Key Drivers are Slowing

Permian production is at its slowest growth rate outside of COVID

U.S. Crude Oil Production & YoY Growth (%) ⁽¹⁾

- Total US oil production is approaching 14 million barrels per day
- As you can see by the chart on the right, the Permian is the only basin with material production growth
- Permian production is only growing in the low single digits. Barring refocused capital spending or new technology, Permian production should plateau in the next couple of years
- If Strategic Petroleum Reserve barrels need to be replenished, that incremental growth could be used up with refill demand

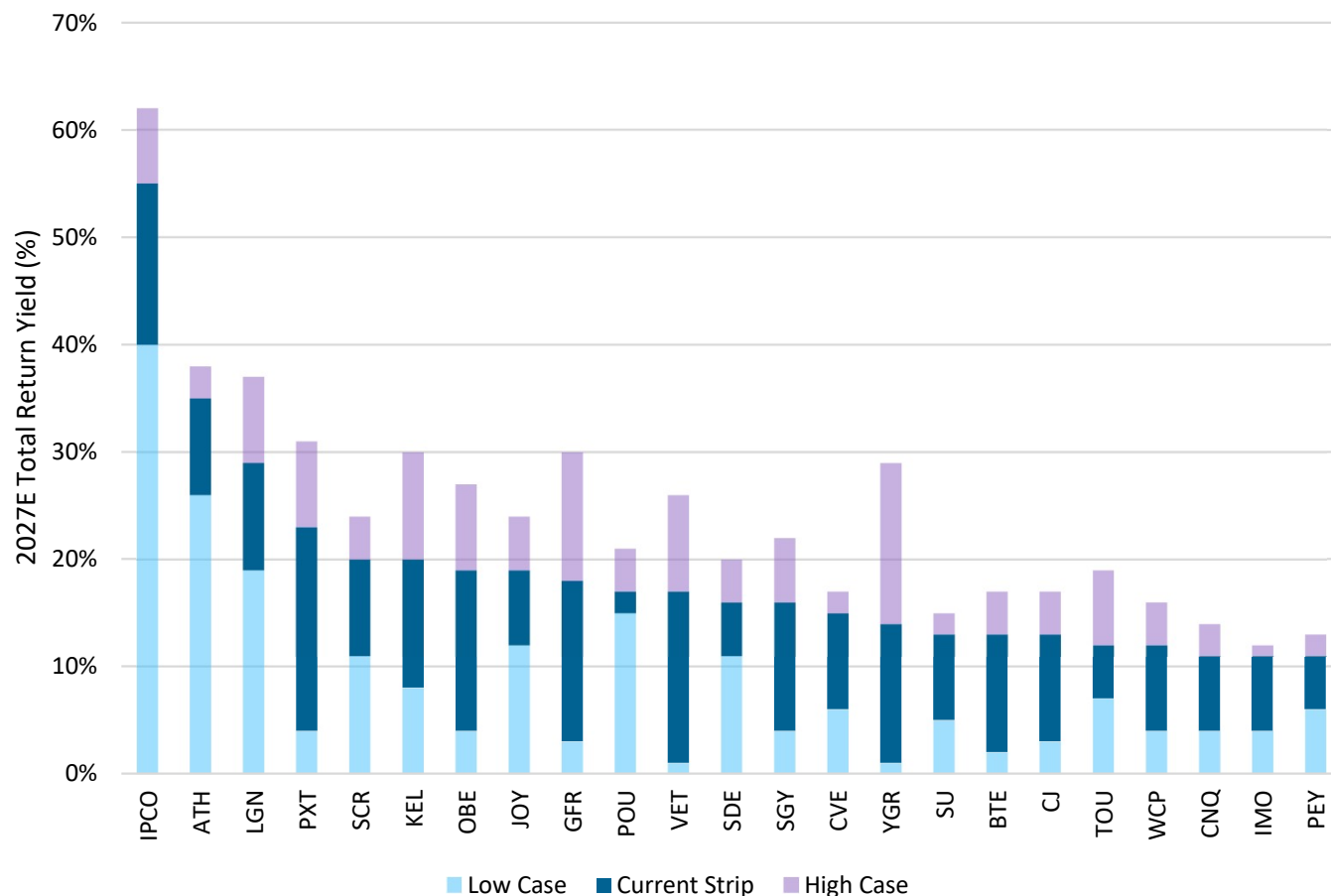


Total Returns in Oil Equities Frames our Positive Investment Thesis

Corporate profitability has improved by approximately 40% in only three years

2027 Expected E&P Total Return Yield ⁽¹⁾

- Total Return Yield combines Free Cash Flow Yield plus Dividend Yield plus Share Buybacks
- At current strip prices, most oil-oriented companies can deliver between 15% and 20% total return. That remains attractive, even if the oil price curve were to come down slightly
- Large cap oil producers dominate the list of share buybacks so far in 2026 with Cenovus, Imperial Oil and Canadian Natural Resources all aggressively buying back shares

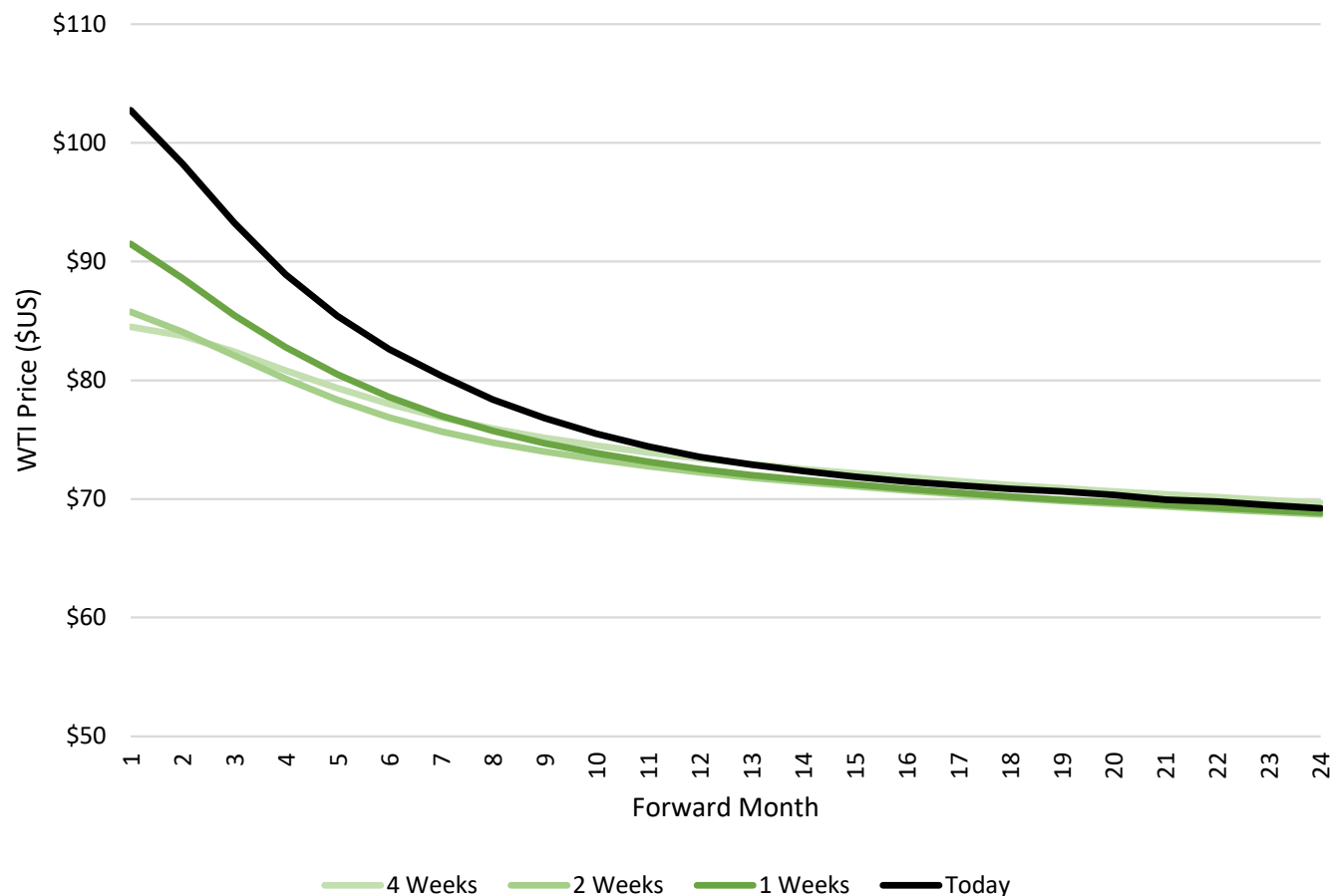


Recent Move Up in Oil Price Mostly Focused on Next 6 Months

Despite the extension of broader Middle East tensions, long-term oil is flat

WTI Forward Curve ⁽¹⁾

- As a reminder, we would like to see oil prices lower than current levels for sustainability purposes, which would allow for our longer-term positive investment view to play out
- As the Iran conflict has become more dug-in in recent weeks the price of oil has gone up, but only in the next six months of the futures curve. Would point to investor expectations of more normalized prices into 2027

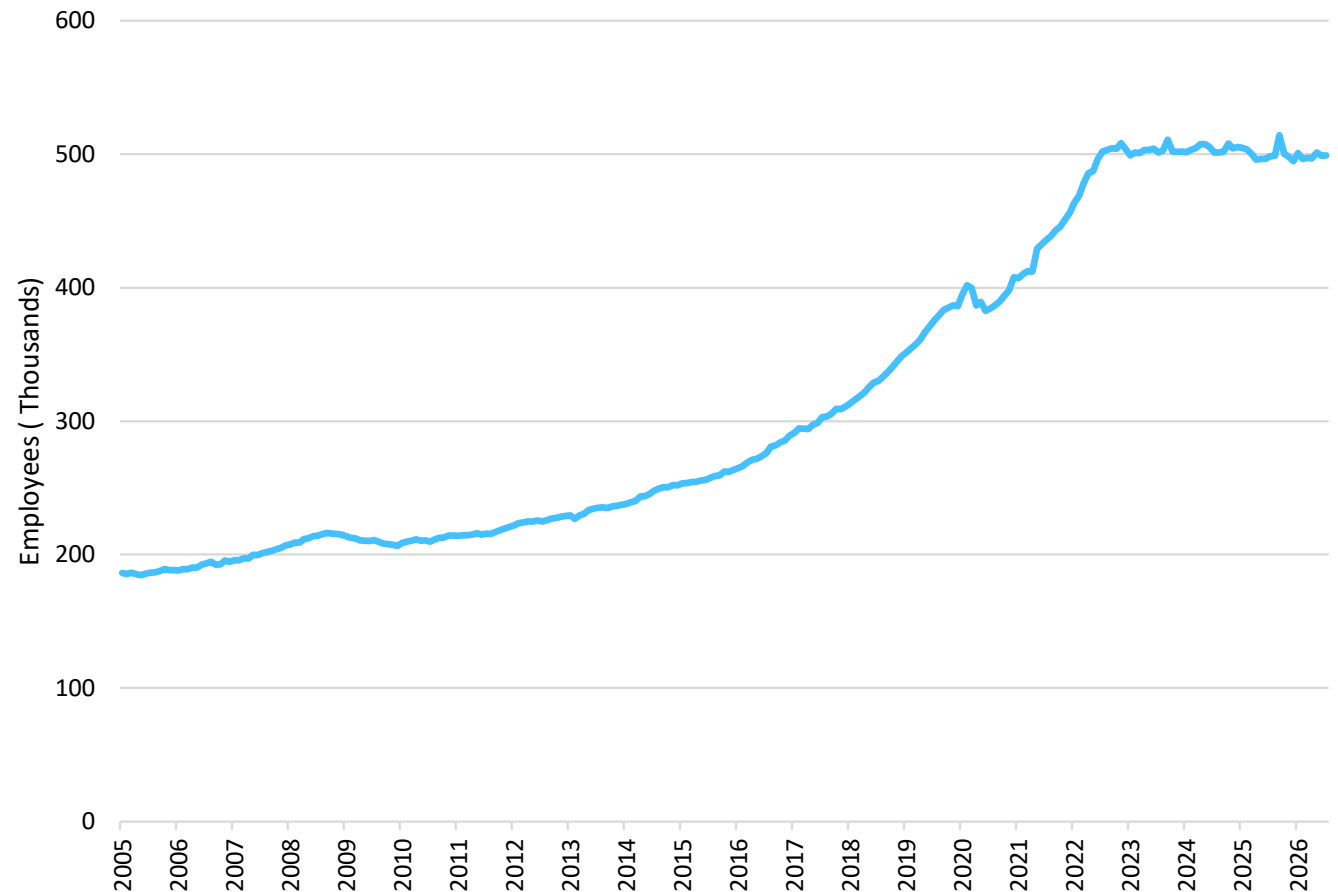


Interesting Factoid – Software Engineer Hiring Hits Brick Wall

Clear proof that AI is having an impact on economic trends

Non-Supervisory Employees: Software Publishing ⁽¹⁾

- We include this just as something for your interest. The datapoint is so blunt that it's worth highlighting
- The number of software company employees peaked at 500,000 in the US in 2023 and has been dead flat since
- In the previous ten years, the number of software engineers had more than doubled
- This may be an interesting datapoint to monitor to interpret the role of AI in the future. Is AI used as a tool by future engineers, or does it eliminate the need for software employees overall?



Summary Comments

- While we think that higher interest rates in the US are unnecessary, we aren't too worried about the impact to the stock market, as long as they don't raise them too aggressively (in time and quantity) the underlying economic strength should be enough to keep markets moving higher
- The aggressive rotation we are seeing between sectors will likely continue, especially while there is uncertainty in the market around the future for interest rates
- Oil stocks in particular still look attractive to us. Total return potential needs to become the focus rather than "what's going to happen to the price of oil?". If Iran conflict ends and oil prices come down in conjunction there is some downside risk in the stocks, but not beyond what would be a normal course pullback. Buy the dip would be appropriate
- Some interest sensitive stocks have pulled back in the last two months and now look attractive given that the "will they, or won't they?" on interest rates has been answered. Stocks like Enbridge, Capital Power and some other utilities look like buys at current prices
- Industrials are another sector, along with software that look attractive given recent pullbacks. US manufacturing continues to maintain positive momentum, so that should be a place to consider allocating capital
- Canadian government policies seem to be attractive capital, so that could be a longer lasting trend in sectors related to construction, materials and engineering



Section III: Wealth Management Portfolios Overview

Palisade Wealth Management Portfolios Updates

- Alternatives as an asset class continue to perform below historical averages, as well as public stock markets, but the underlying asset quality remains strong. Investment returns are cyclical
- We are seeing a slight light at the end of the tunnel for some of the gated real estate funds that are held in some of our model portfolios. They continue to pay monthly distributions while we wait for these funds to remove their gates and allow redemptions. We expect to hear some news regarding potential gate removals in the next few months
- We are making some changes across our model portfolios to account for the changing market dynamics. We are adding strategies that benefit from the current market environment
- In our view, the long-term returns of our model portfolios remain on target, but we do think that some adjustments make sense. Most of the changes are in the alternative asset class portion of the models. Specific adjustments to private equity holdings, business loans, long/short strategies and real estate are being implemented
- We are happy to discuss this in more detail if you have any questions. Regulatory restrictions and competitive reasons don't allow for detailed discussions in this setting. Return profiles and downside protection can be discussed on the phone or in person
- The downside protection from the alternative sleeves in our model portfolios remains a key focus, with an expected improvement to the upside returns as we make these model portfolio adjustments
- Equity funds have worked well with certain funds up around 20% or greater over the past year
- Due to portfolio construction, we view direct interest rate risk as being low in our model portfolios

PALISADE PORTFOLIOS

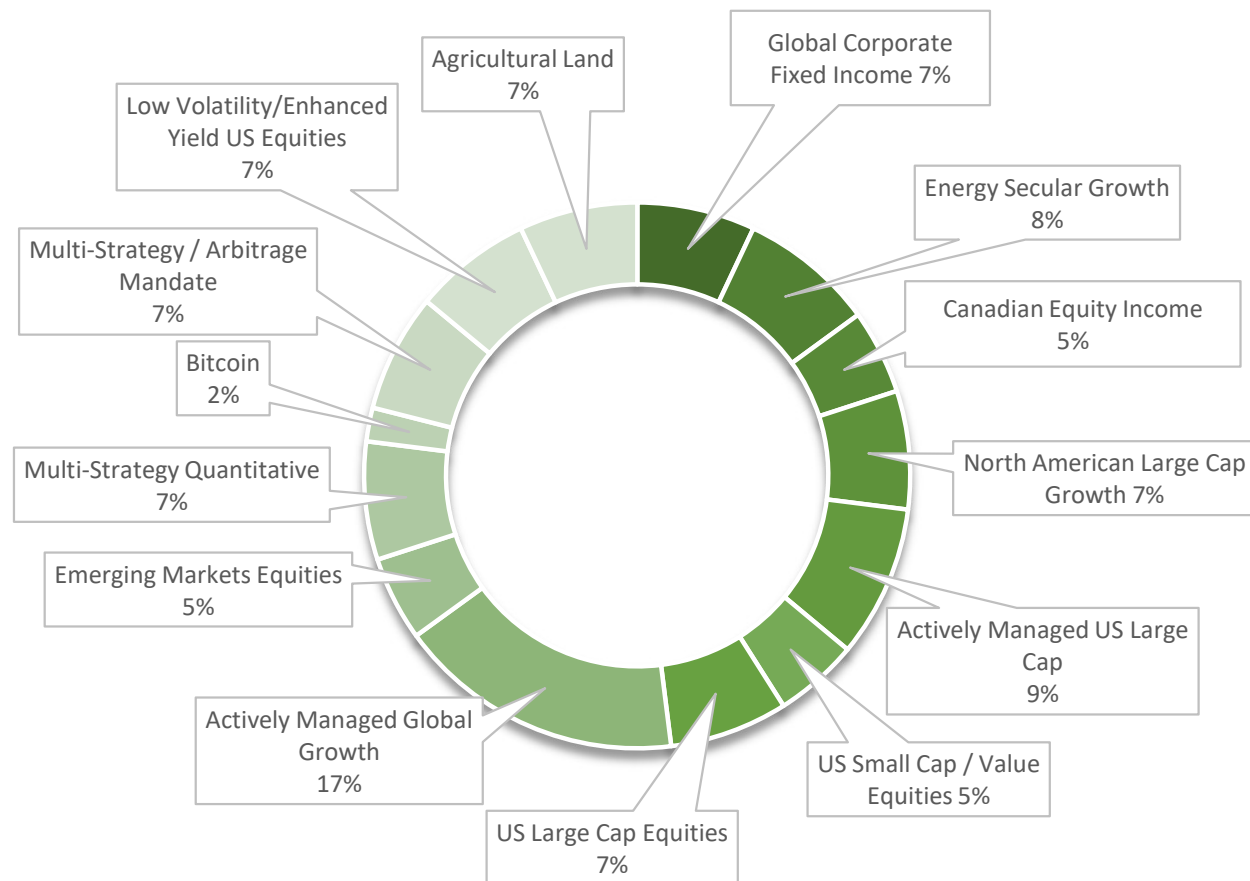
We offer a selection of portfolios to fit our clients' needs depending upon their objectives and risk tolerance

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 GROWTH+ PORTFOLIO

Diversified Exposure Focusing on Long Term Growth

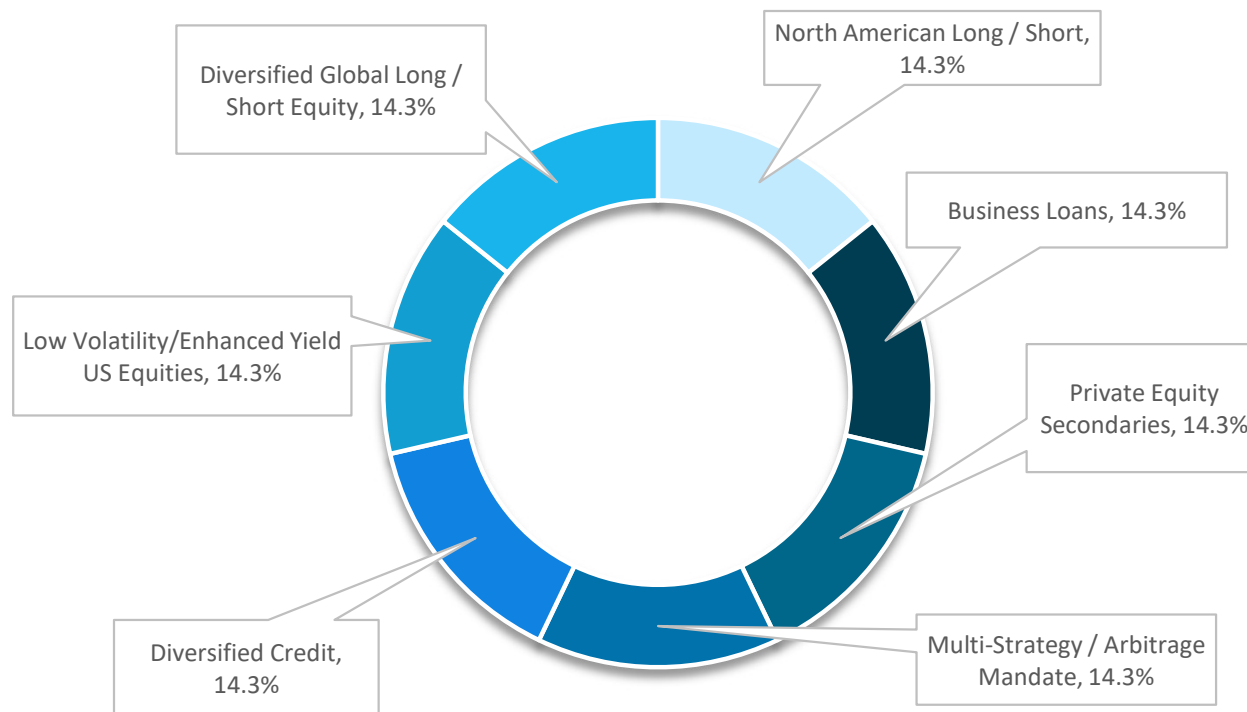
The Palisade Growth+ Portfolio provides investors with well diversified and unique exposure to global investing themes with an eye towards long term capital appreciation. True growth orientation with flexibility, diversification and downside protection.



PALISADE INFLATION+ PORTFOLIO

Protecting Against and Benefiting From Inflation, Targeting Low Volatility Growth

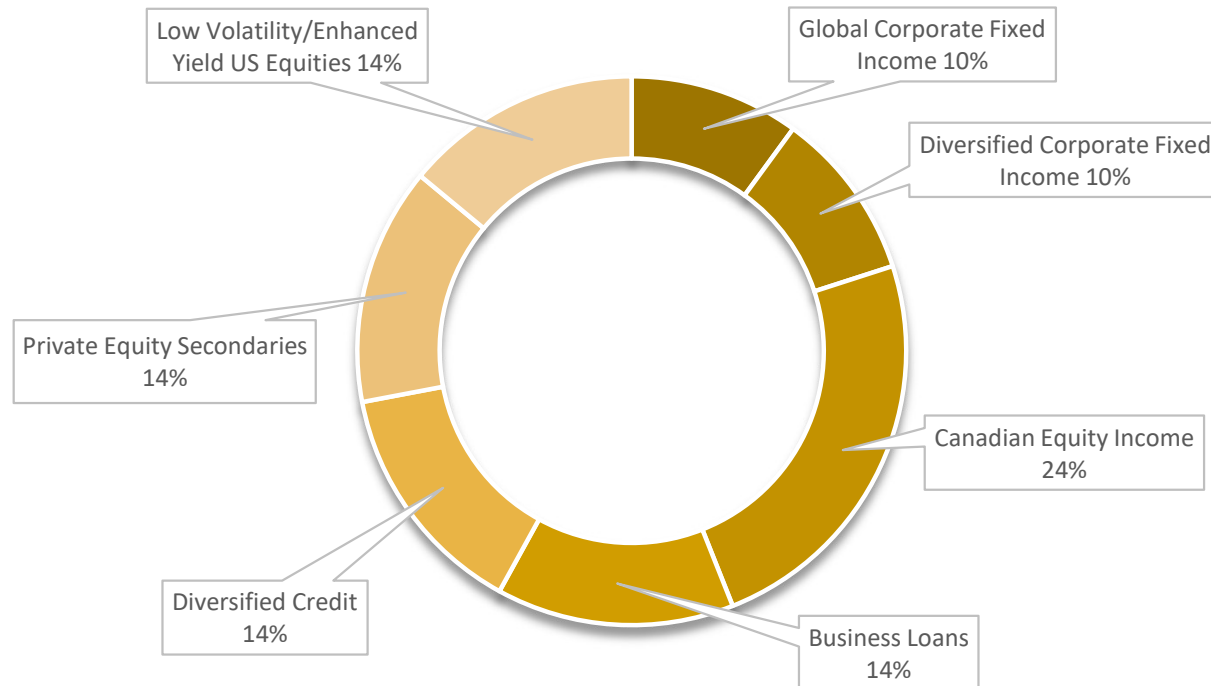
The Palisade Inflation+ Portfolio provides investors with diversified exposure to alternative investment strategies that target low volatility growth with inflation protection. The portfolio focuses on providing downside mitigation and acting as an inflation hedge. The current portfolio yields approximately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



PALISADE INCOME+ PORTFOLIO

Regular Distributions From Multiple Strategies With Lower Correlation to Interest Rates

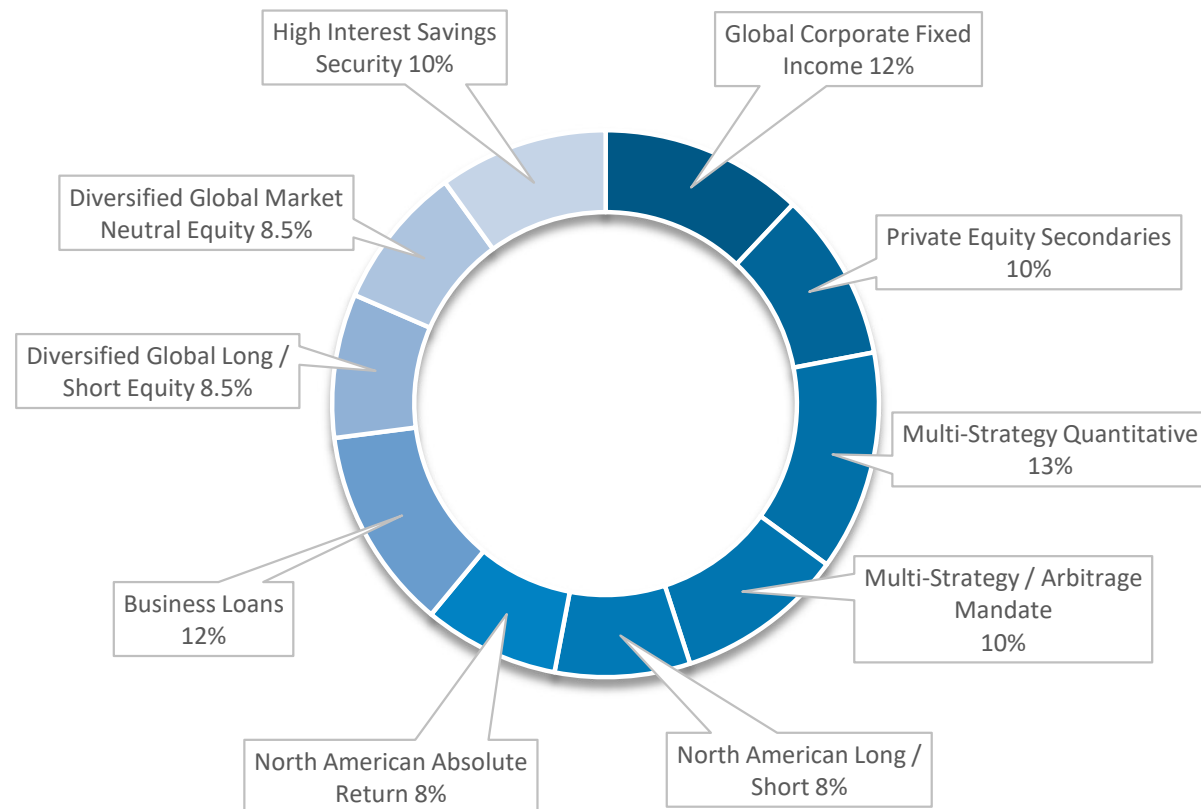
The Palisade Income+ Portfolio provides investors with a well-diversified source of monthly/quarterly distributions from a portfolio of equities, fixed income and alternative strategies. The current portfolio yields approximately 6% annually while maintaining flexibility and providing diversification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



PALISADE PRESERVATION+ PORTFOLIO

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

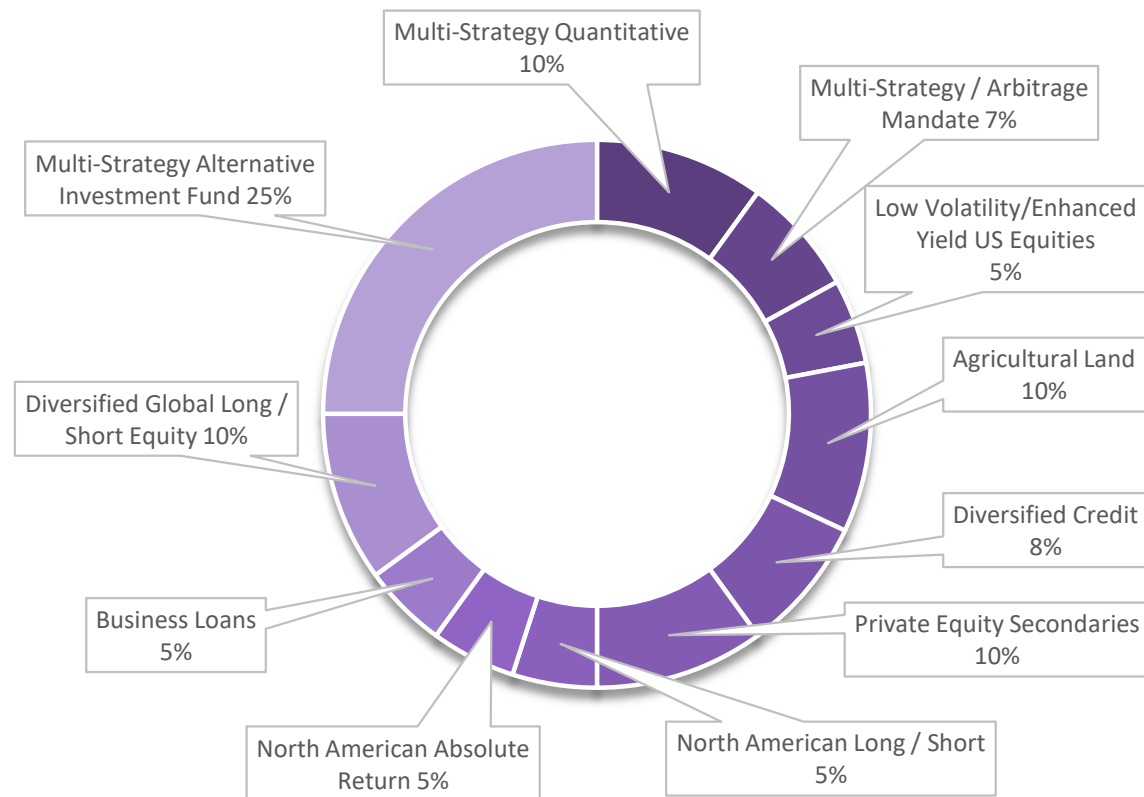
The Palisade Preservation+ Portfolio allocates to a well-diversified portfolio of alternatives and fixed income products that generally produce positive returns on a calendar year basis, regardless of market conditions. The portfolio focuses on capital preservation while seeking to provide low correlation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



PALISADE ALTERNATIVE+ PORTFOLIO

Alternative Investment Focus Providing Diversification to Traditional Equities and Fixed Income

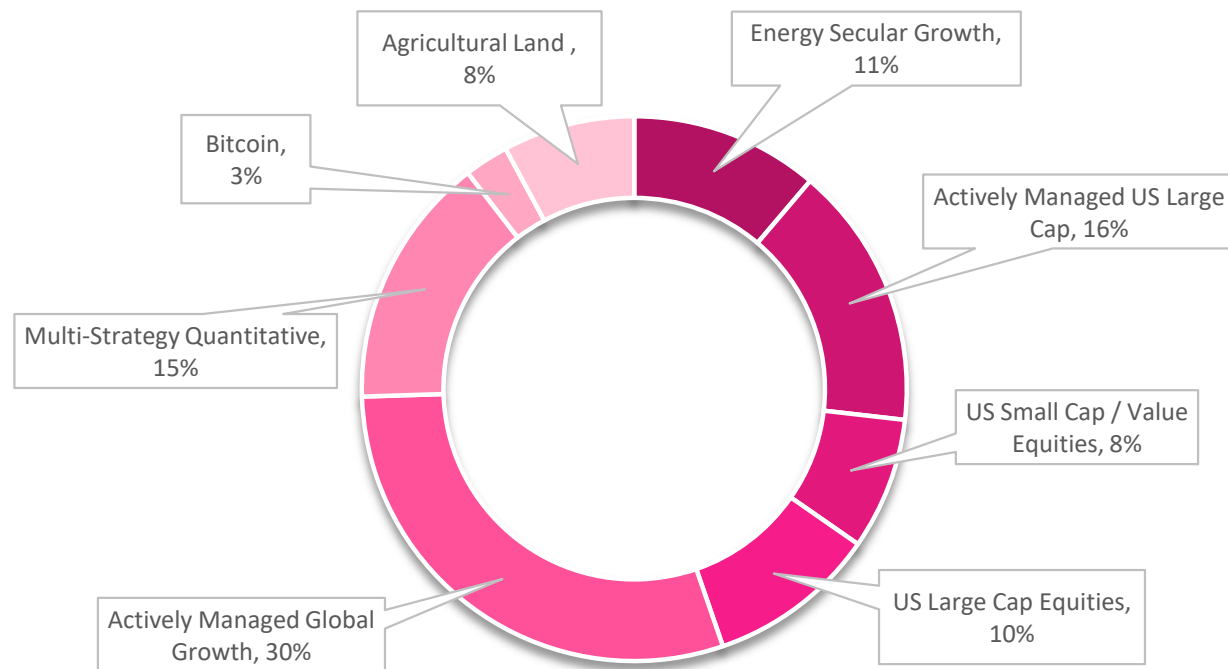
The Palisade Alternative+ Portfolio seeks to provide exposure to best-in-class alternative investment managers while delivering the benefits of diversification to a traditional portfolio of equities and fixed income. The portfolio targets equity-like returns with low correlation to equity and bond markets,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



PALISADE ENHANCED GROWTH PORTFOLIO

Equity-focused portfolio targeting higher growth with volatility mitigation

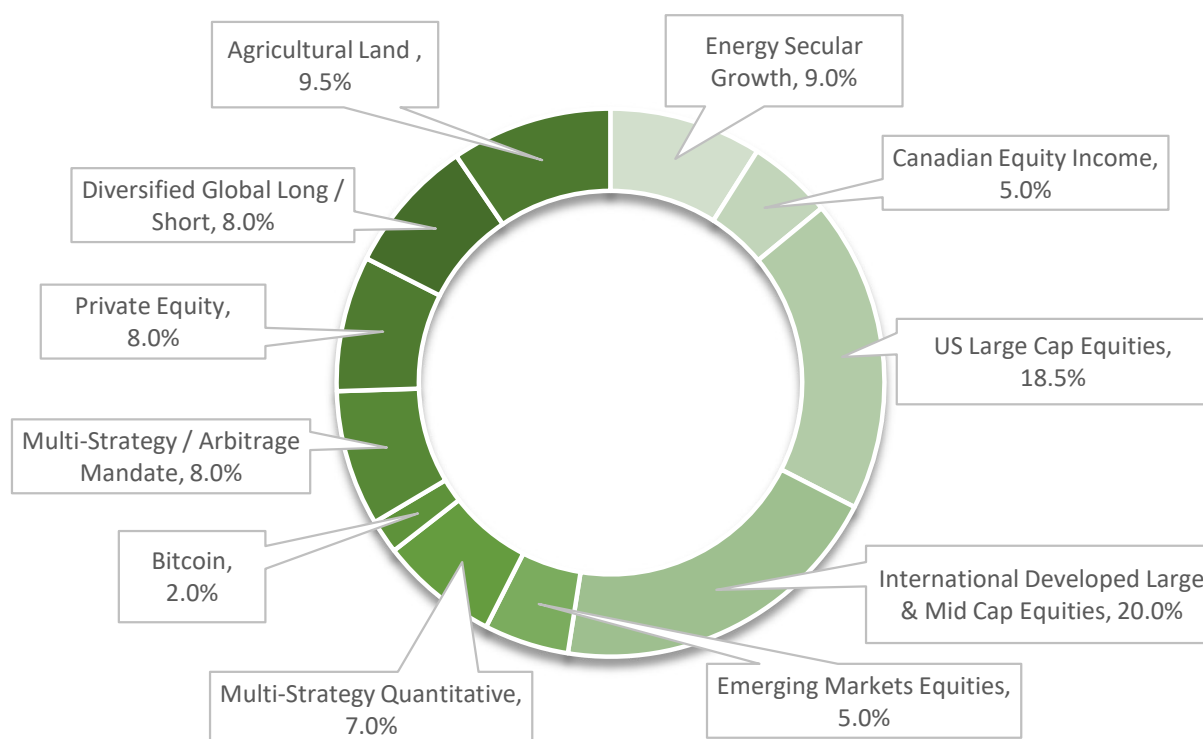
The Palisade Enhanced Growth Portfolio provides investors with a diversified equity-focused portfolio that targets higher long-term capital growth. Equity exposure is complemented by growth-oriented alternative strategies that target downside protection and volatility mitigation. A true focus on higher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



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.





Questions

IMPORTANT DISCLOSURE

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CONTACT INFORMATION

A founding principle of Palisade has always been transparency and communication with our clients. We would encourage anyone with questions to reach out at any time.

Investment Matters:

James Anderson

james@palisade.ca

(403) 531-2677

John McAleer

john@palisade.ca

(403) 531-2678

Dan Zhigatov

dan@palisade.ca

(403) 531-2674

Palisade Capital Management Ltd.

Suite 600, 700 – 2nd Street SW

Calgary, Alberta T2P 2W1