

PALISADE CAPITAL CLIENT UPDATE

May 2026: Perspective Really Matters

May 14, 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+

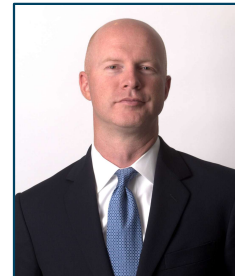
Preservation+

Inflation+

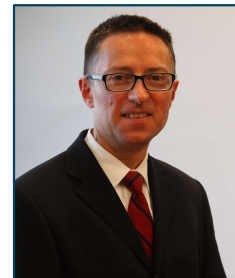
Alternative+

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

April 2026 Fund Review

Horizon Fund (“PHF”) up 5.0% in April

- Decent month for PHF as screen stocks were working in conjunction with a bounce in some beaten-up quality names. Strength was spread between a wide variety of names. Canadian names saw strength in transportation (Transforce and CP Rail) as well as the TMX exchange. US names were also strong
- Need to see some follow through in Canada and the US. Narrowing of the market this month is not helpful in the short term. We have eliminated many of the beaten-up quality names and focused more exposure on the names from our quantitative screens

Select Fund (“PSF”) up 2.7% in April

- S&P/TSX Capped Energy Index was up 1.4% in April. WilderHill Clean Energy Index up 21.1%
- Lots of volatility this month, but dips are getting bought. Came into the month with 30% of PSF in cash and positions not attached to day-to-day swings in the market (private energy and green energy). Put that cash back to work near lows in April. Have since raised cash back to 10% in mid-May
- ARC Resources takeover was a standout position for the PSF this month, although we still see a little weakness in some of the natural gas-oriented producers

Vantage Fund (“PVF”) up 5.0% in April

- S&P/TSX Composite Total Return Index up 3.8% for the month. S&P/TSX Dividend Aristocrats Index up 3.3%
- Certain interest sensitive parts of the market continue to perform well. Canadian banks are going higher based on expectations of increased infrastructure spend. Select REIT’s working largely on operational momentum at companies like Granite REIT, Sienna Senior Living and Chartwell
- Recent addition to the portfolio, First Capital REIT, was taken over this month with an 8% premium day-over-day

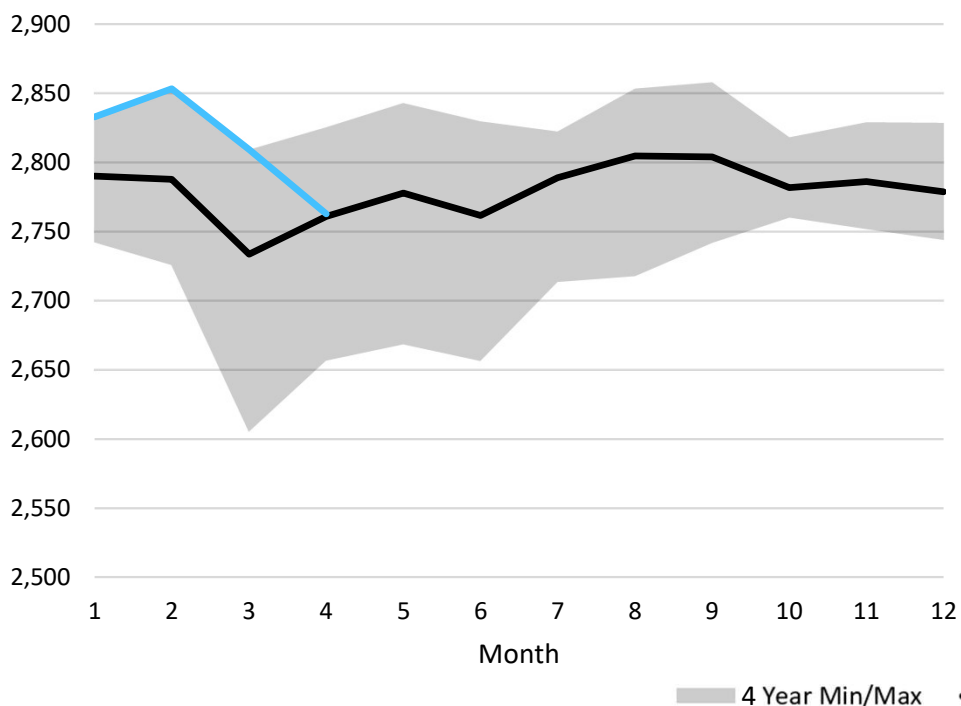


Section I: Oil Continues to be the Market's Focus

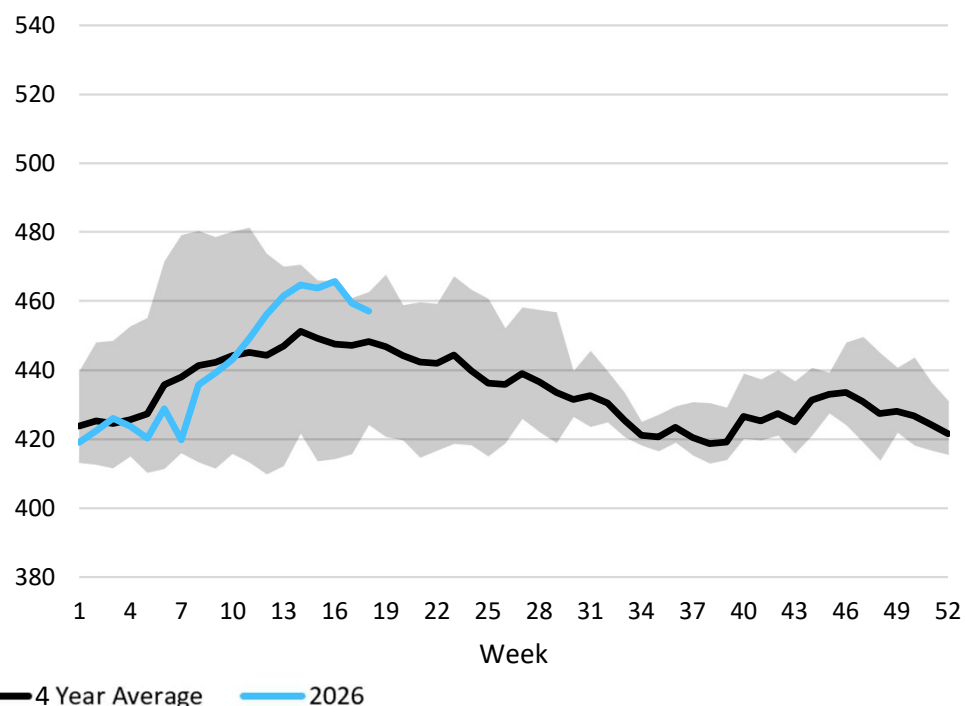
How Tight is Oil Storage?

At reasonable levels currently, but time is of the essence

Global Oil & Liquids Inventories (Mbbl)



US Oil Inventories (Mbbl) ⁽¹⁾

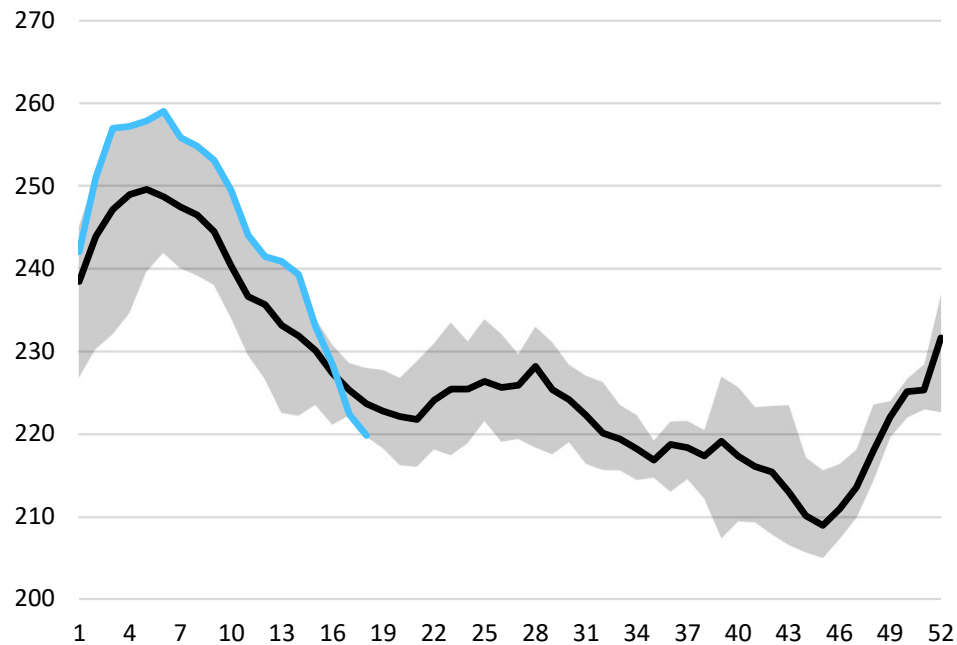


- Global oil demand is approximately 105 million barrels per day and growing
- US and global oil inventories have been coming down from high levels, so current inventories actually look okay. We aren't going to see a price spike tomorrow, especially in North America
- However, the recent declines have been steep, so time is of the essence. A few more weeks, or even a month or more should be fine, but this can't continue for many months

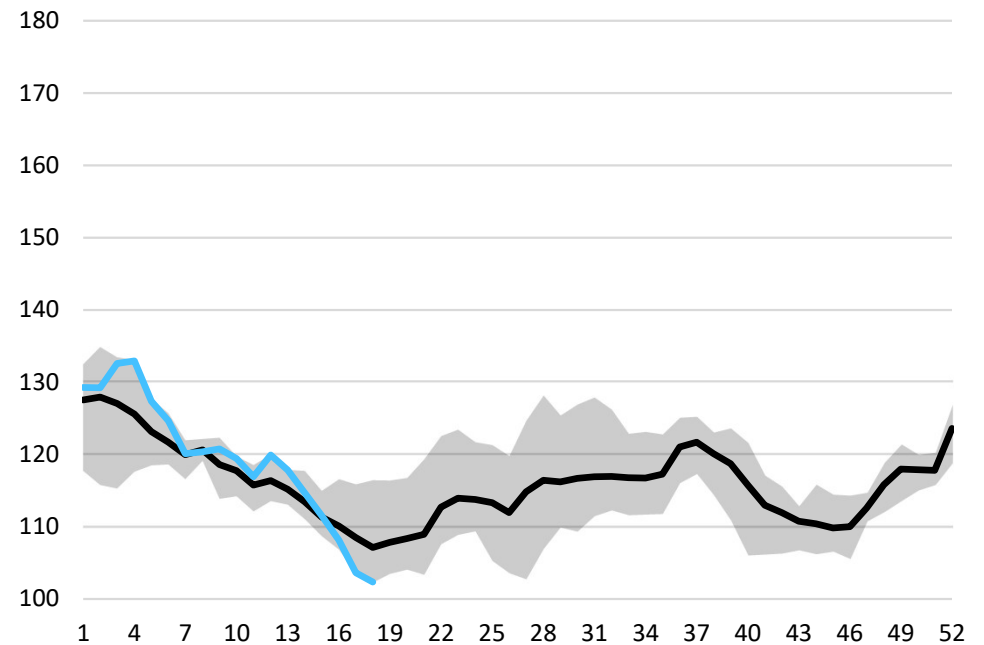
How Tight is Oil Storage? (Cont'd)

Gasoline and distillates have relatively tighter inventories

U.S. Motor Gasoline Inventory (Mbbbl)



U.S. Distillate Inventory (Mbbbl) ⁽¹⁾



4 Year Min/Max 4 Year Average 2026

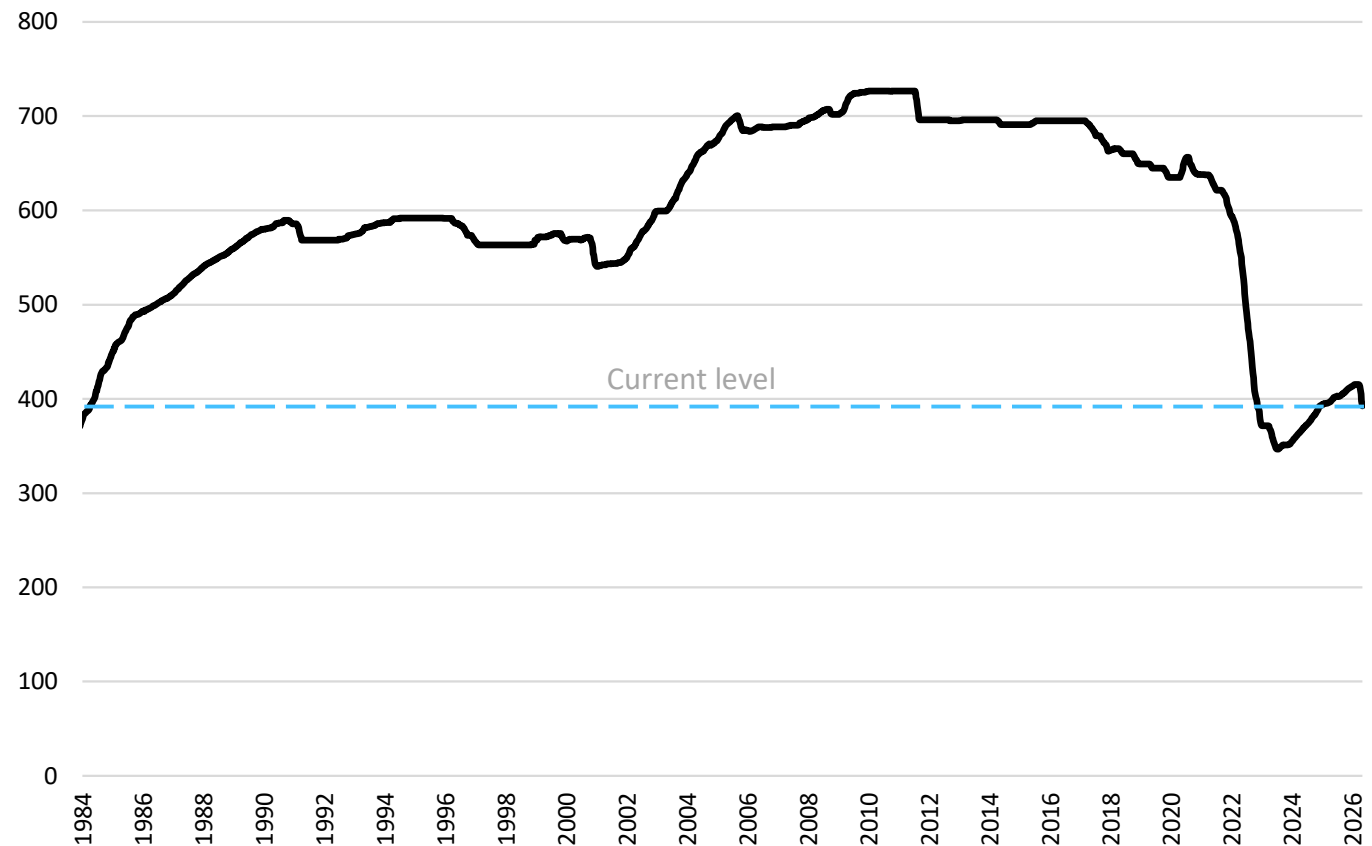
- Gasoline and distillates are tighter, so existing refinery capacity needs to stay online with no shocks from further damage or unexpected turnarounds
- The positive for energy investors is that the stabilized floor price of oil is moving up the longer this war continues. Demand growth is ongoing and manufactured demand from storage refill and facility repair will have an impact that will last years

US Strategic Petroleum Reserve (SPR) Near 40-Year Lows

Many strategic implications to consider as the Iran conflict drags on

U.S. Strategic Petroleum Reserve (millions of barrels)⁽¹⁾

- The fact that we have near 40-year lows in the SPR is concerning, but again time is the crucial factor
- If the SPR needs to be drawn down for a few more months, they have the room to do so
- The medium and longer-term implications are more important for us. Refilling the SPR (and other reserves globally), trying to get access to supply from countries with damaged facilities, etc, would point us to the idea that the go forward price of oil will be at a higher stabilized level than in the past

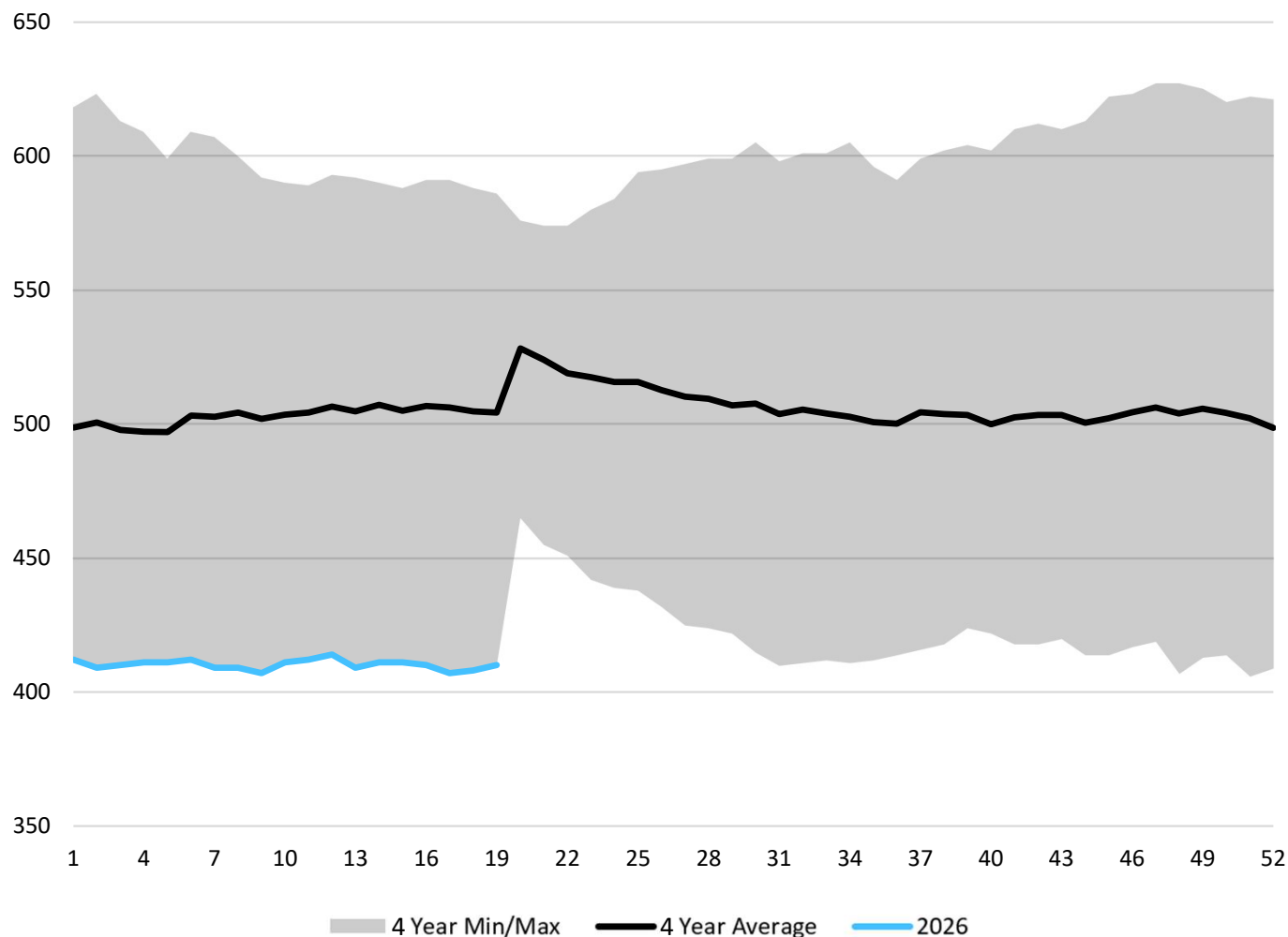


Oil and Gas Operating Discipline Being Maintained

Many Canadian producers have continued to add per share value through challenges

U.S. Oil Rigs ⁽¹⁾

- We are a little shocked, but happy that there hasn't been an aggressive response by North American producers to the recent spike in oil prices
- There has been some talk on most recent quarterly conference calls of increasing capex if prices stay elevated, but so far, we aren't seeing a meaningful change in the rig count
- The most important concept that we are focused on is the higher expected floor price for oil over a multi-year timeframe





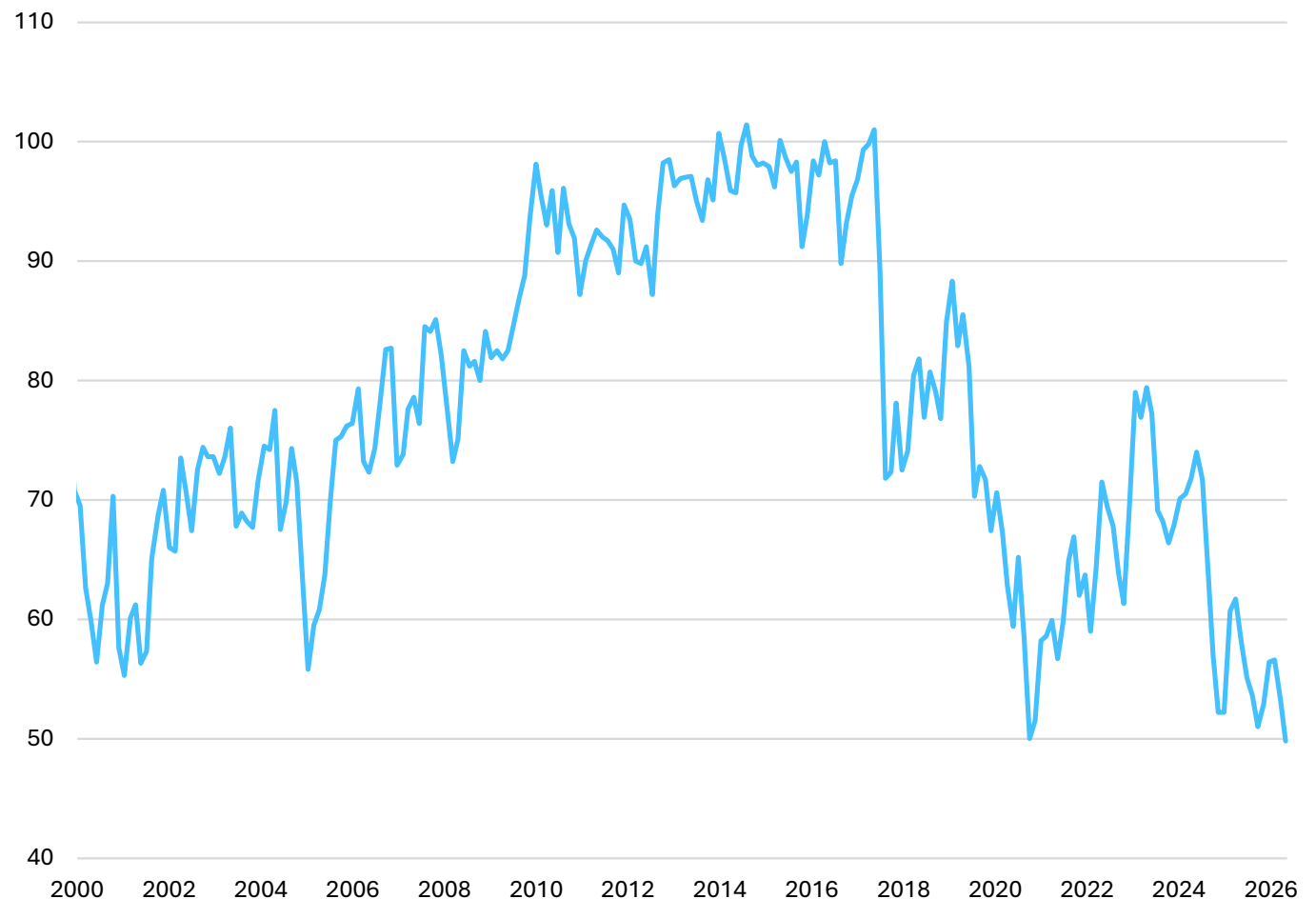
Section II: Negative Headlines Obscuring Positive Economic Data

US Consumer Confidence at All-Time Lows

The disconnect between sentiment and the stock market is stark

University of Michigan Consumer Sentiment Index ⁽¹⁾

- Not that there aren't things to be concerned with in the world, but a record low in confidence does not line up with the current state of economic activity and opportunity
- The world we live in accentuates the negative and eliminates the positive. This can get in the way of clear decision-making
- Consumer sentiment is not typically a good timing indicator for the stock market, but if you recognize general overall trends, it typically pays to do the opposite of the crowd

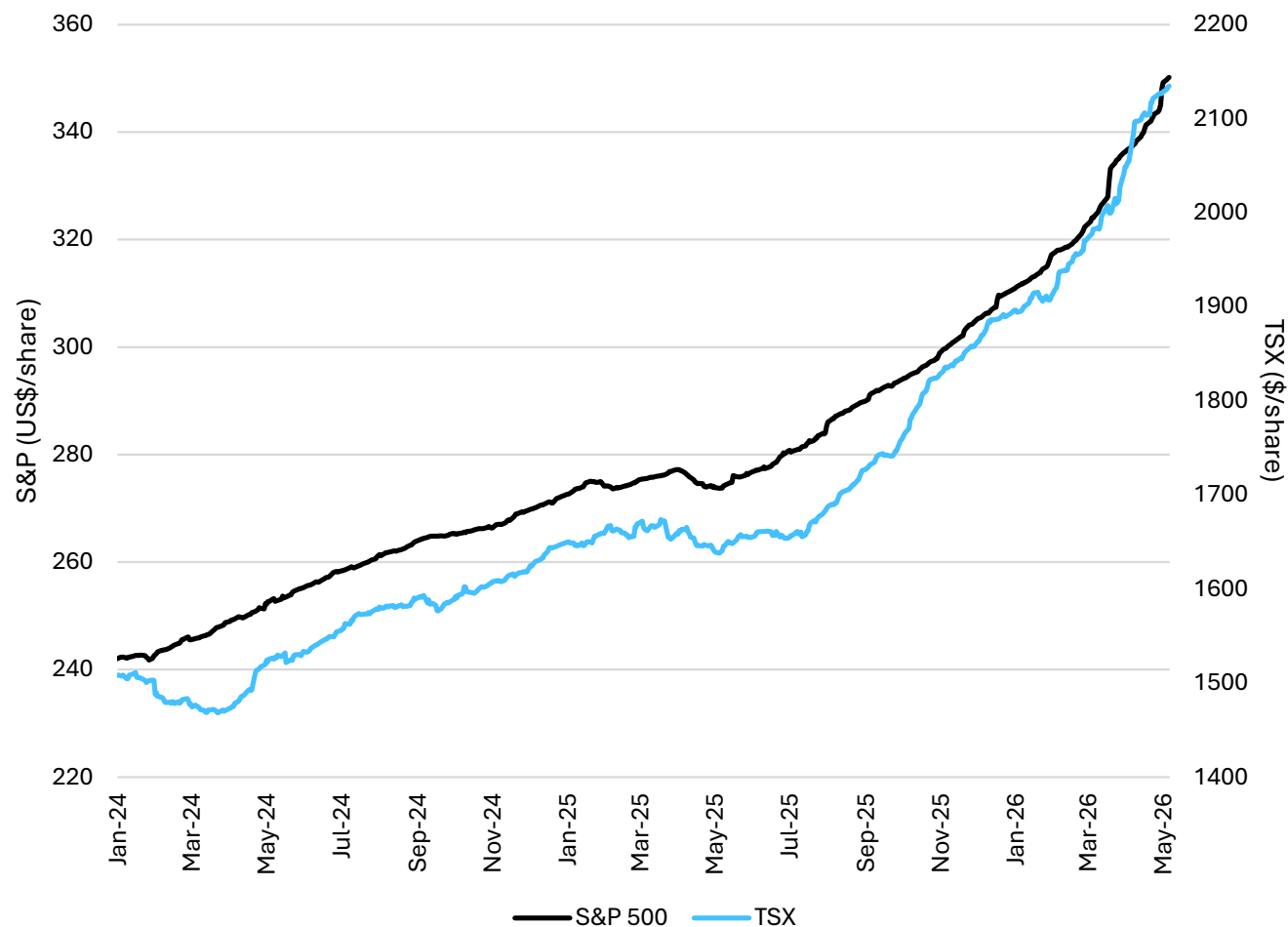


Earnings Estimates Continue Higher

Despite all the headline fears, corporate earnings expectations are improving

S&P 500 & S&P/TSX Forward Earnings Estimates ⁽¹⁾

- This data point is a core guiding light for us. There is so much fear in the headlines about the Iran war, high oil prices, inflation, K-shaped economic recovery, etc, etc. And yet, through all these fears, companies and analysts are increasing their earnings guidance and model earnings estimates
- Long-term, the markets move with corporate profits. If profits are up in aggregate over time, the stock market is likely to be up as well
- It's worthwhile noting that this data includes Canada. Pessimism is high here due to tariffs, government ineptitude, etc. but the same trend of higher earnings estimates is evident

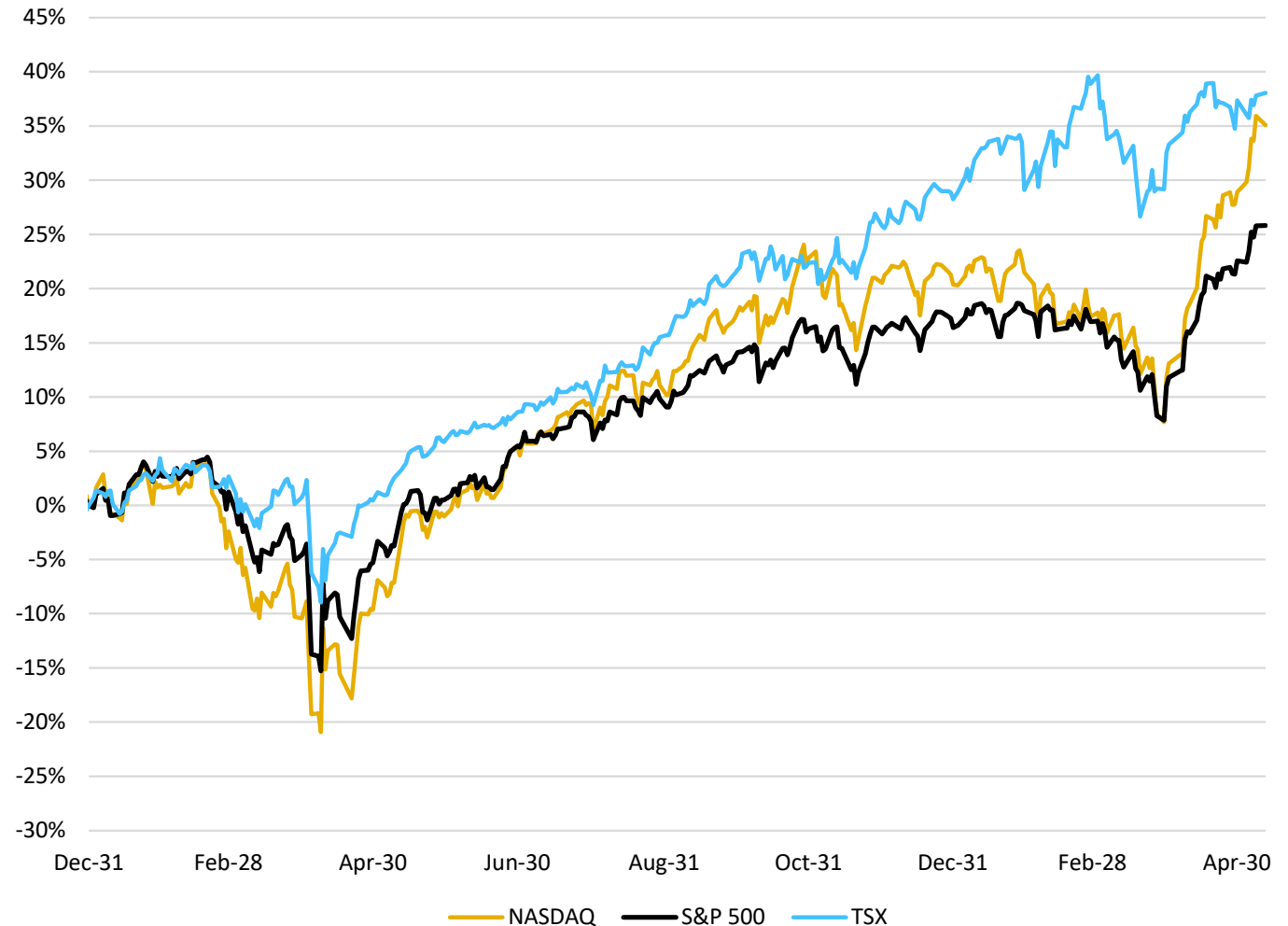


Tariffs Will Destroy the Canadian Economy??

Canadian stocks have gained more than US stocks since tariff concerns started

North American Stock Market Performance Since Jan 2025⁽¹⁾

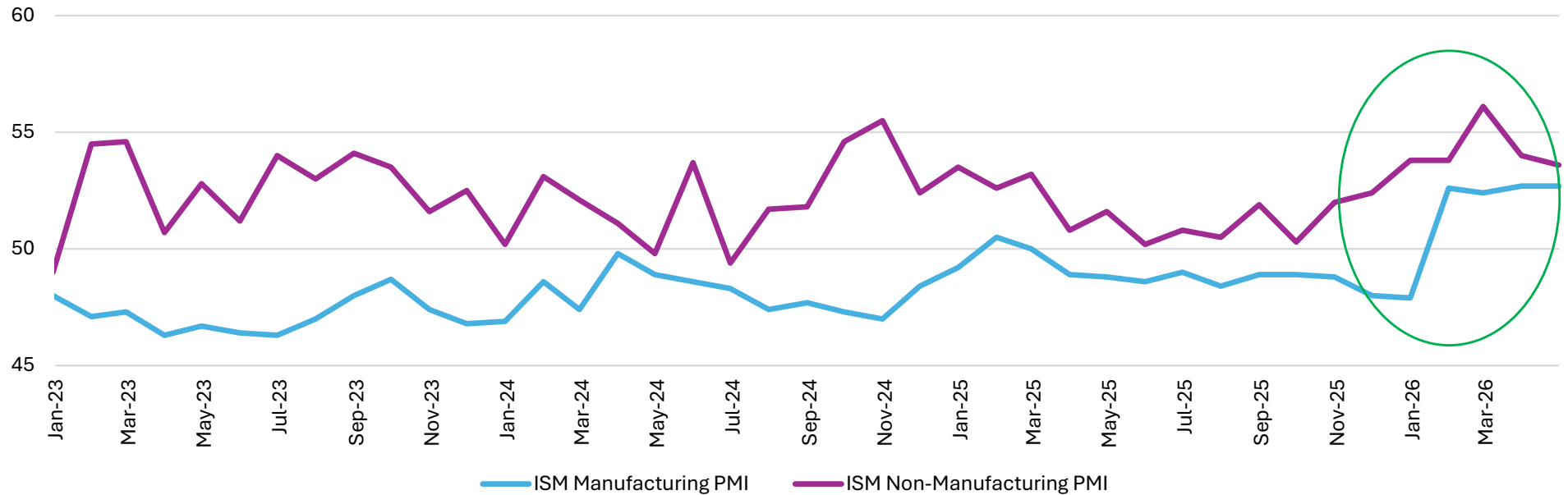
- Canadian stocks have notably outperformed those in the US, in part due to energy, gold and financials
- This is not to say that there hasn't been an impact in some sectors of the economy and that it hasn't hurt certain families and individuals. But from an investing perspective it's always important to remember the market cliché "the stock market is not the economy."
- Even with the current challenges between Canada and the US, it's important to remember that we are still tied at the hip and benefit from growth in the United States
- Recent strength in semiconductor and hardware stocks has seen the NASDAQ catch up to the TSX, but the overall trend remains intact



This is the Tail That Wags the Dog

Something positive is happening in US manufacturing

ISM Manufacturing & Services Purchasing Managers Indices ⁽¹⁾



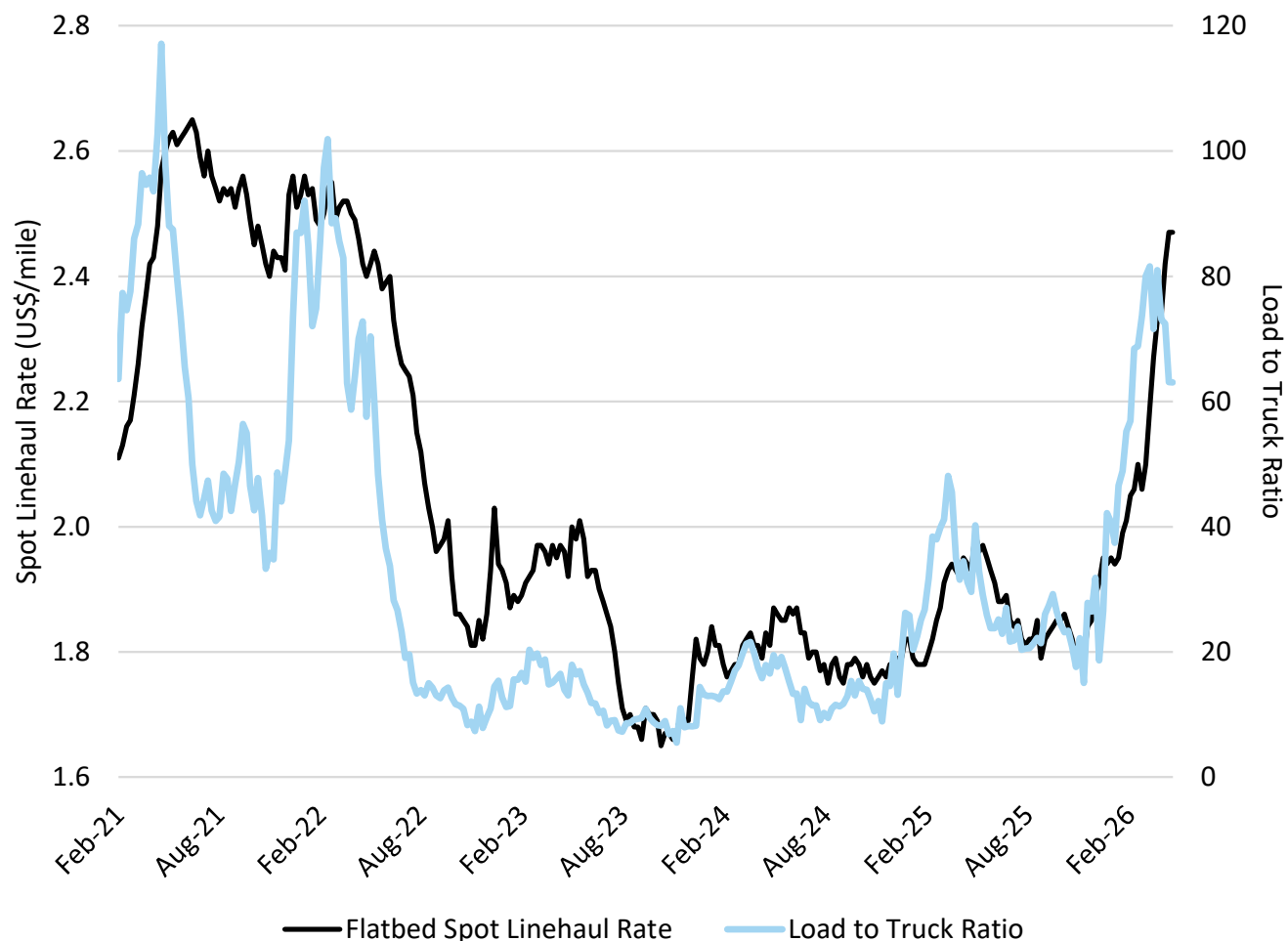
- The indices above reflect the outlook for manufacturing companies (blue) and services companies (purple)
- Most recently, we have seen manufacturing data move into expansion territory for the first time in many years and services data move to the top of the range over the same time period. Looks like companies have a positive outlook for the next 6 to 9 months

Core Economic Data Turning Higher

US trucking rates and volumes have improved markedly in the last six months

U.S. Flatbed Spot Linehaul Rate & Load to Truck Ratio ⁽¹⁾

- Trucking had been in a recession for four years, but starting in Q4 2025 there has been a meaningful uptick in demand to move goods
- It would appear that there's a manufacturing boom happening in the US. Both volume and pricing for truck transportation is up
- As a core indicator of economic activity, we think this means that the near-term future for economic growth in the US (and by proximity, in Canada) is looking up

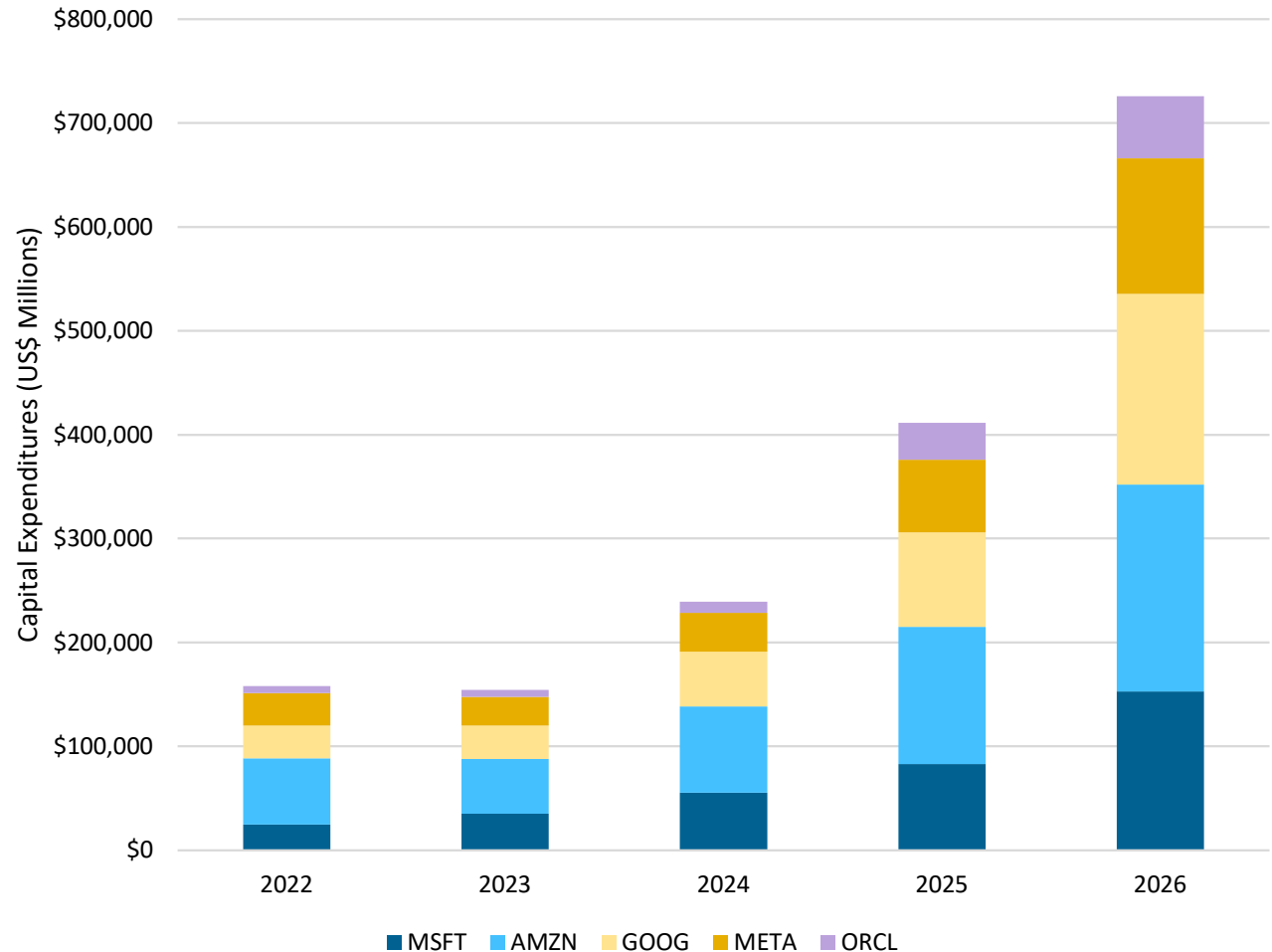


AI Spending is the Main Economic Driver of Improved Manufacturing

The scale of the buildout is hard to imagine

Hyperscaler Historical CAPEX & 2026 Guidance ⁽¹⁾

- So, what's driving the uptick in things like manufacturing and trucking? Spend on AI data centers is likely a big part of it
- Just five companies have allocated over US\$700 billion to data center build out in 2026 alone. That's a lot of steel, generators, computer hardware and building products that need to be hauled around the United States and Canada
- Overall spending in this part of the economy is a nice boost to general economic activity and will have peripheral benefits in coming years

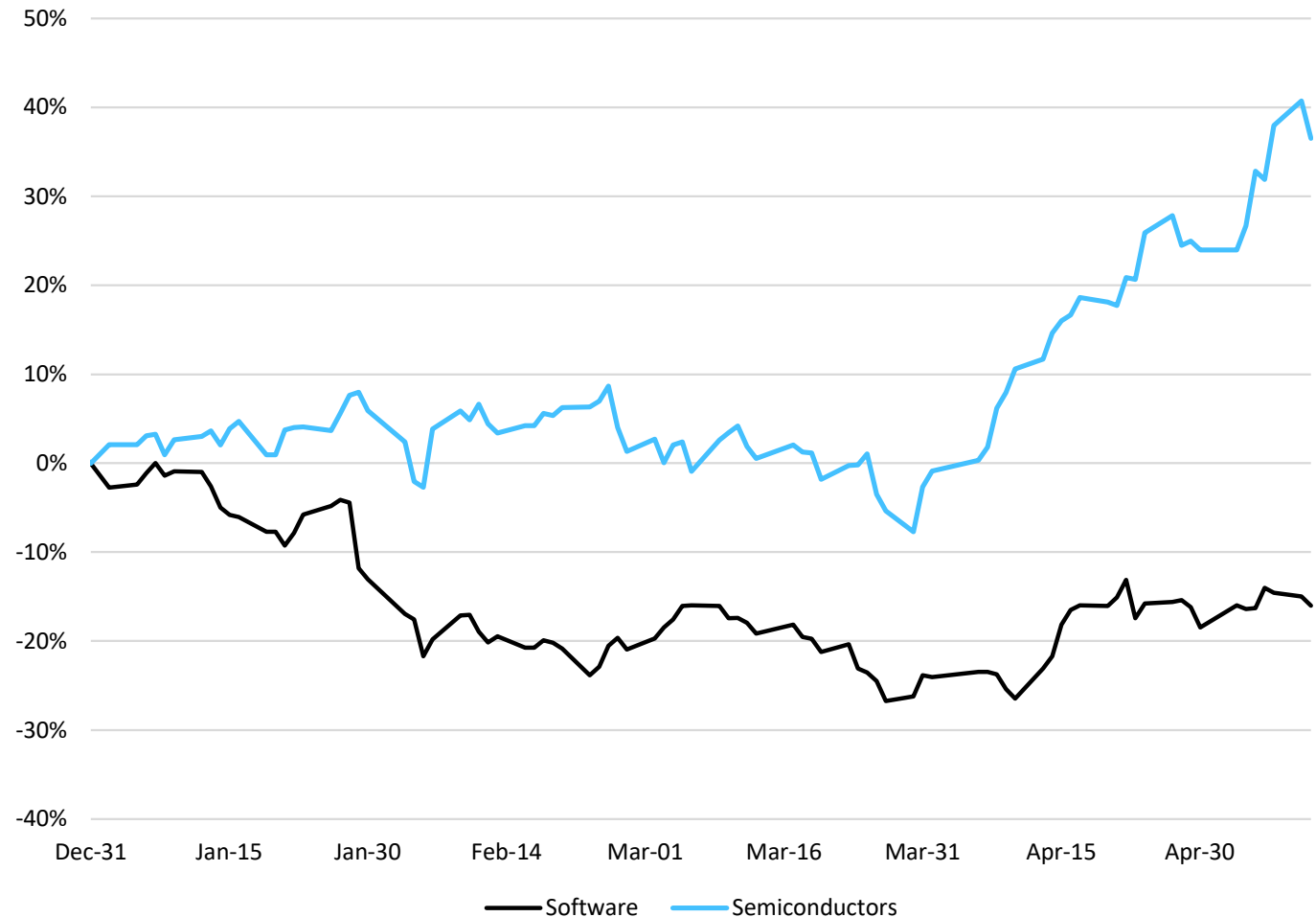


Price Action Would Guide You to Believe That Software is Dead

Software is one of the weakest parts of the stock market

US Software & Semiconductor Indices YTD Performance⁽¹⁾

- Passive fund flows to ETFs and computer-based quant trading dominate the day-to-day stock market action, creating sustainable trends which can make it difficult to assess valuation and timing
- Hardware and semiconductors are driving stock market indices higher (especially this month) while fund flows continue out of software stocks even though quarterly results for software companies have been largely positive
- The poor trading action is interesting given that fundamentals... (cont'd next slide)

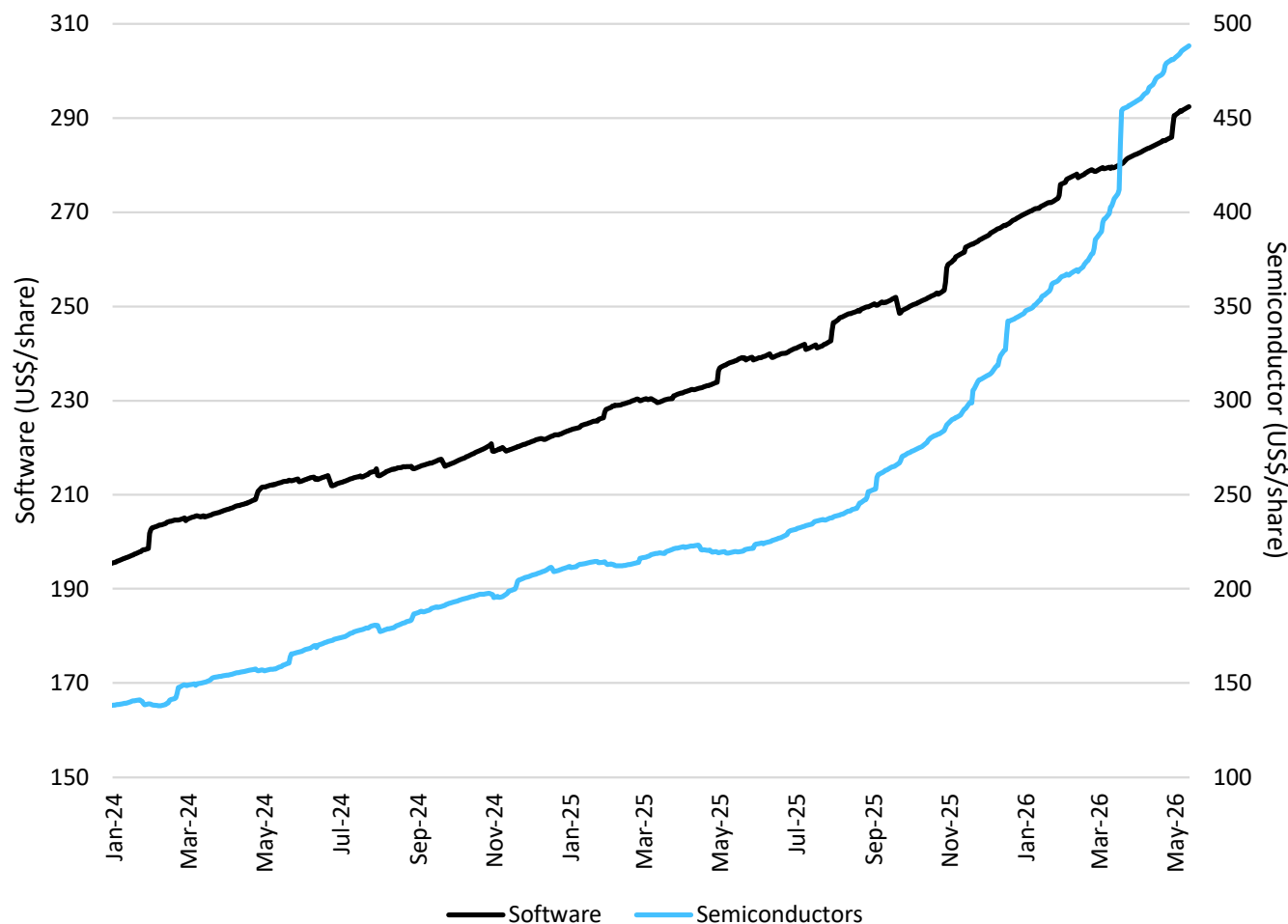


Yet Software Earnings Estimates Continue Higher

Significant divergence between fundamentals and trading

Software & Semiconductor Indices Earnings Estimates Next 12 Months ⁽¹⁾

- ...are still very strong in the software space with earnings estimates up consistently over the last two years
- The growth in semiconductor earnings is notably higher, but the point in highlighting earnings trends is that there has been no breakdown in software
- The market is trading these sectors as an either/or proposition rather than individually on their own merits
- Timing of when software stocks turn around is difficult to determine, but in the long-term there is clearly value in the stocks



Summary Comments

- While certain parts of the market, particularly semiconductors and computer hardware, are moving into extreme overbought territory, we think the underlying economic fundamentals continue to support generally decent stock market performance through 2026
- Certain core economic datapoints have turned up meaningfully in the last six months, providing underlying support for manufacturing and stabilizing consumer demand
- While oil prices could lead to higher inflation, it would only be for a short period of time and the likelihood of central banks raising interest rates is very low given that prices are up for a manufactured reason and the only thing higher rates would do is kill demand in other parts of the economy
- The go-forward floor price for oil continues to move up the longer this war continues. We acknowledge that oil prices likely decline on some sort of resolution, but the investing set-up looks attractive if the stocks pull back at the same time. Higher floor price allows for more share buybacks and a somewhat more stable cash flow profile that can justify higher valuation multiples
- New US Federal Reserve Chairman is coming at the June meeting with an expectation that he will be more favorable to lower rates, which would be a positive for markets and specifically for sectors that haven't been participating in the most recent move higher in market indices
- We would expect the near-parabolic move that we have seen in semiconductor stocks in the last six weeks to take a breather somewhat soon, but we think that money rotates into other sectors rather than leading a broader market sell-off



Section III: Wealth Management Portfolios Overview

Palisade Model Portfolio Changes

- It's an interesting observation to note how return profiles are moderating across a lot of asset classes outside of the AI and AI-adjacent stocks, in addition to commodity stocks and select "factors"
- Private equity returns are down in the last couple of years, arbitrage strategies are facing much narrower spreads, some long/short strategies have been challenged as shorts have traded up, and real estate has entered a new phase after 15 years of consistent returns
- 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 at acceptable levels, 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

Palisade Model Portfolios Built to Navigate Volatility

- The various model portfolios built and offered by Palisade are constructed with the goal of lowering a portfolio's risk/volatility while still targeting returns that achieve your long-term investing goals
- Volatile markets, like the ones we are in currently, highlight the benefits of diversification and including alternative strategies in a broader portfolio. Alternatives are typically less correlated to the returns of the stock market
- For example, the Palisade Growth+ model includes an investment in Saskatchewan farmland that has consistently provided approximately 12% annualized returns, and has gone up when stock markets have gone down (e.g. during the 2022 bear market)
- Other examples of alternatives would include arbitrage funds that take advantage of mis-pricings between related securities, “private equity” funds that invest in companies that don't trade on a stock exchange, and mortgage funds that can have a lower risk profile
- The Palisade model portfolios don't typically move up and down as much on a day-to-day basis, which provides an opportunity for better long-term returns with less investor stress
- We are making ongoing changes across all of our model portfolios to bring in additional investment strategies that we view as attractive and to adjust for a lower interest rate and volatility environment that has seen returns moderate for certain investment strategies

PALISADE PORTFOLIOS

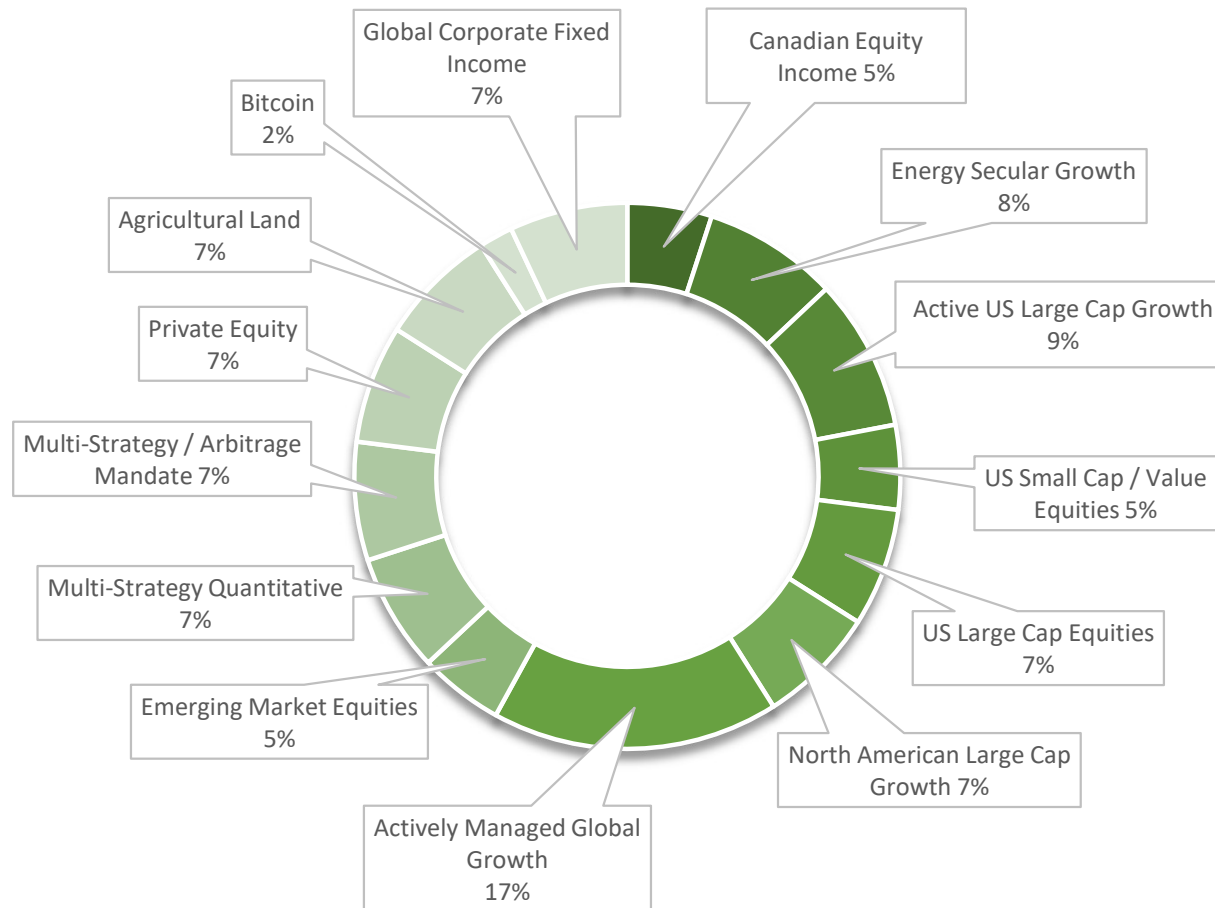
We offer a selection of portfolios to fit our clients' needs depending upon their objectives and risk tolerance

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

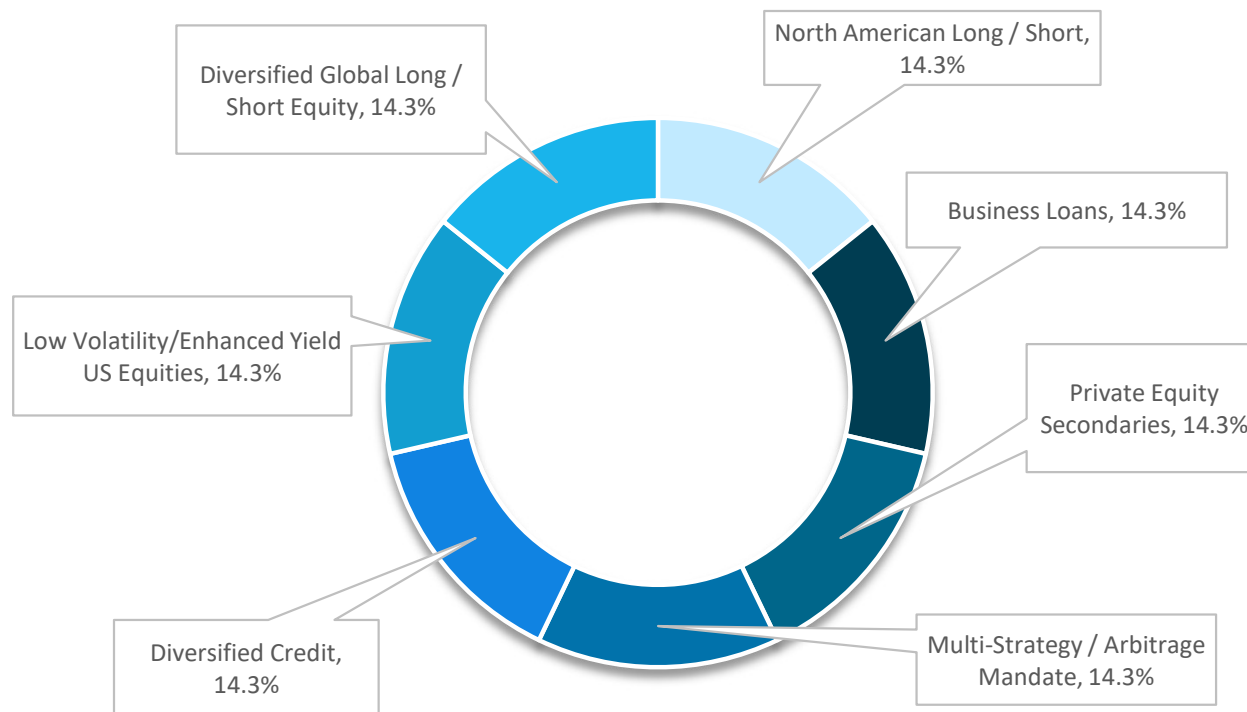
The Palisade Growth+ Portfolio provides investors with well diversified and unique exposure to global investing themes with an eye towards long term capital appreciation. True growth orientation with flexibility, diversification and downside protection.



PALISADE INFLATION+ PORTFOLIO

Protecting Against and Benefiting From Inflation, Targeting Low Volatility Growth

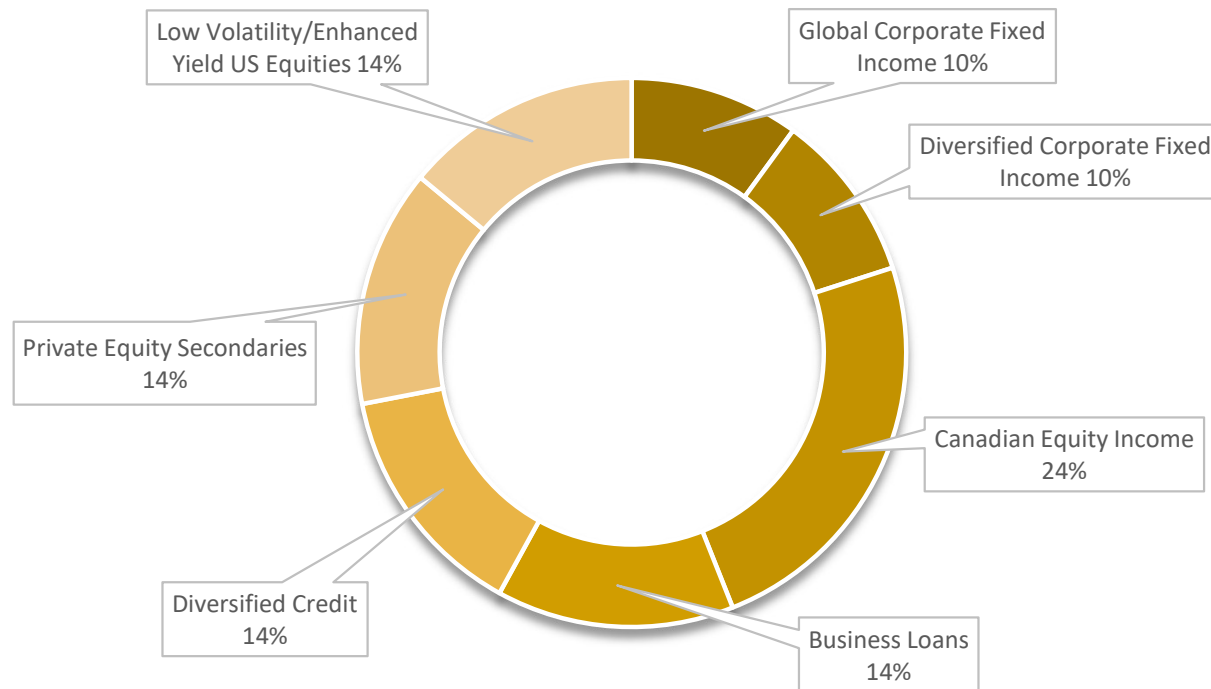
The Palisade Inflation+ Portfolio provides investors with diversified exposure to alternative investment strategies that target low volatility growth with inflation protection. The portfolio focuses on providing downside mitigation and acting as an inflation hedge. The current portfolio yields approximately 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

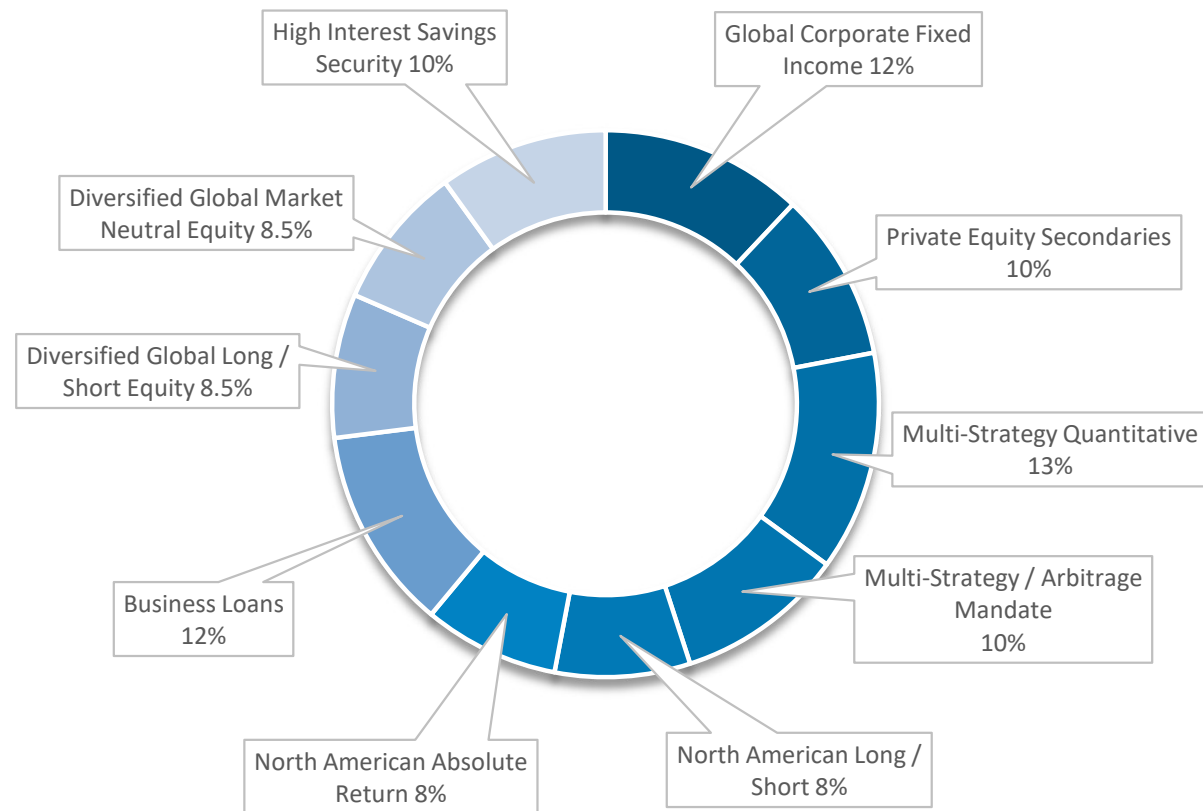
The Palisade Income+ Portfolio provides investors with a well-diversified source of monthly/quarterly distributions from a portfolio of equities, fixed income and alternative strategies. The current portfolio yields approximately 6% annually while maintaining flexibility and providing diversification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



PALISADE PRESERVATION+ PORTFOLIO

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

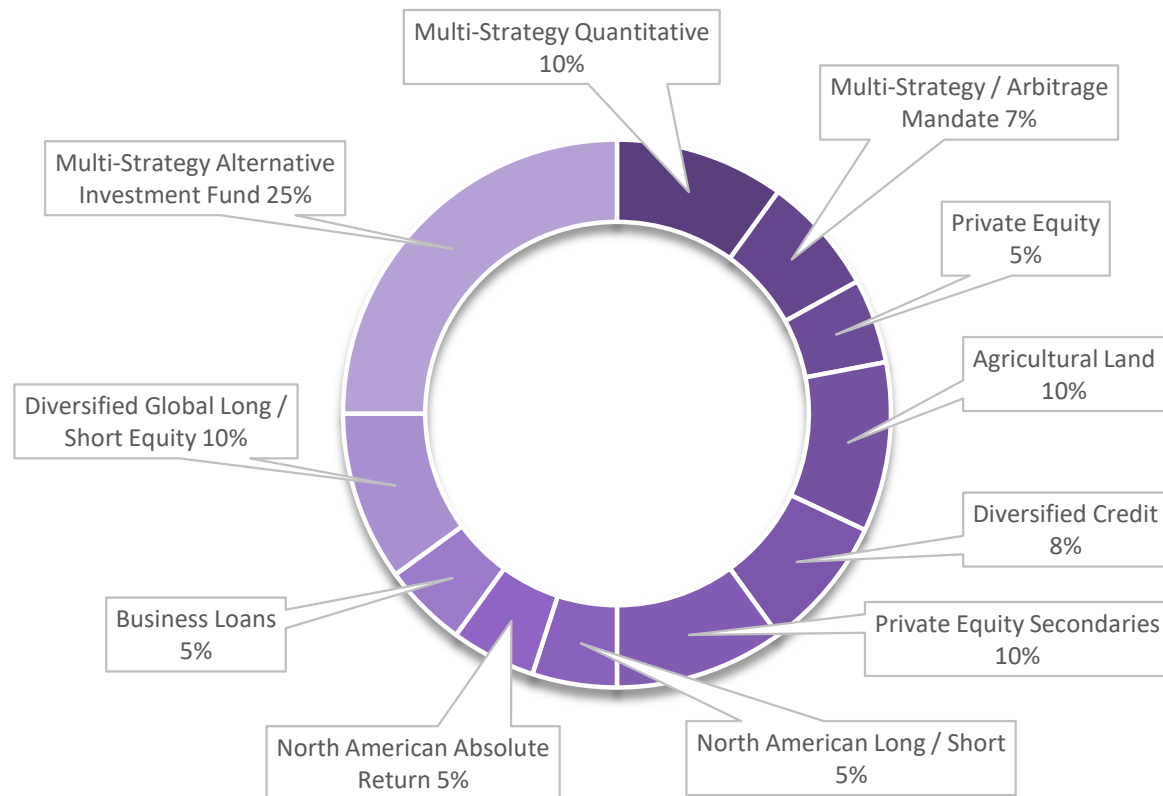
The Palisade Preservation+ Portfolio allocates to a well-diversified portfolio of alternatives and fixed income products that generally produce positive returns on a calendar year basis, regardless of market conditions. The portfolio focuses on capital preservation while seeking to provide low correlation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

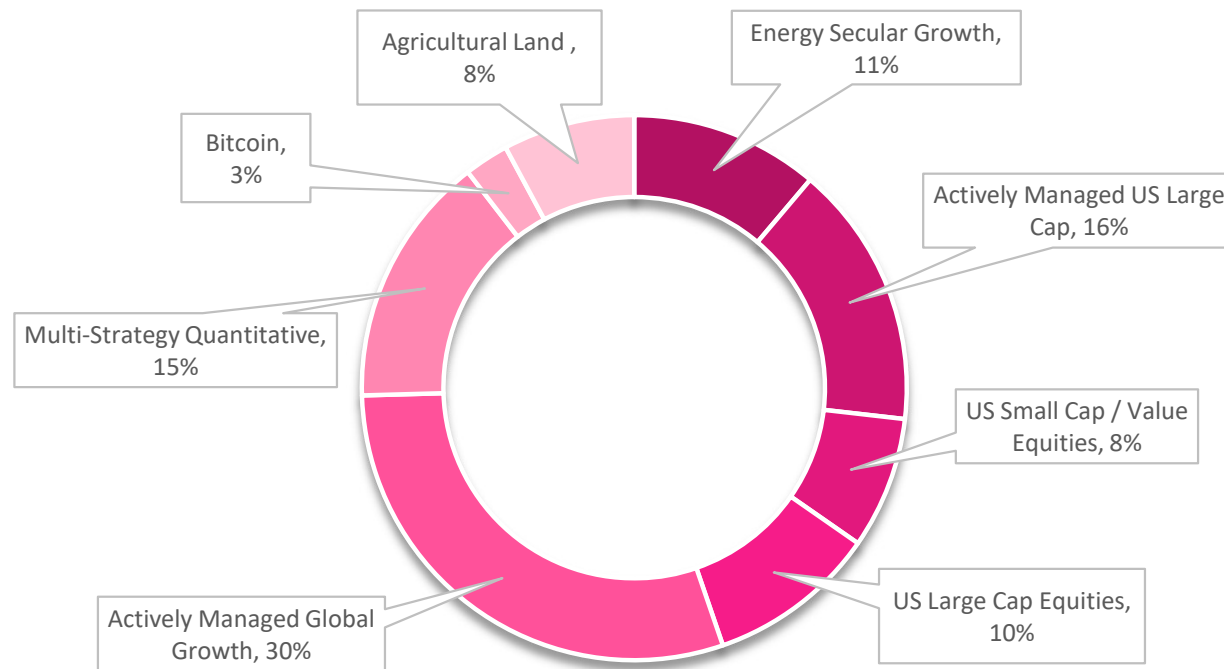
The Palisade Alternative+ Portfolio seeks to provide exposure to best-in-class alternative investment managers while delivering the benefits of diversification to a traditional portfolio of equities and fixed income. The portfolio targets equity-like returns with low correlation to equity and bond markets,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



PALISADE ENHANCED GROWTH PORTFOLIO

Equity-focused portfolio targeting higher growth with volatility mitigation

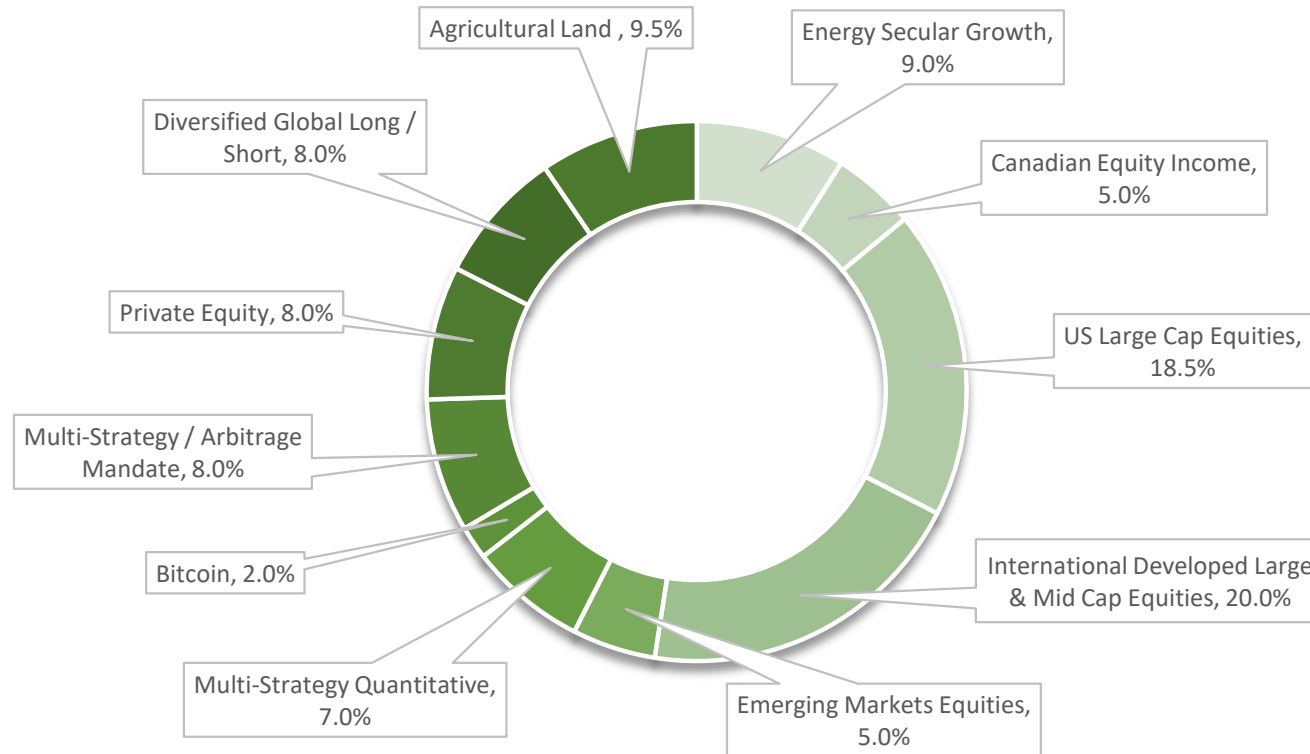
The Palisade Enhanced Growth Portfolio provides investors with a diversified equity-focused portfolio that targets higher long-term capital growth. Equity exposure is complemented by growth-oriented alternative strategies that target downside protection and volatility mitigation. A true focus on higher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

GLOSSARY



Duration:

A measure of how long it takes, in years, for an investor to be repaid a bond's price by the bond's total cash flows (interest payments and principal). It measures the sensitivity of a bond or fixed income portfolio's price to changes in interest rates. In general, the higher the duration, the more a bond's price will drop as interest rates rise (and the greater the interest rate risk).

Sharpe Ratio:

The Sharpe Ratio can be viewed as the ratio of return divided by volatility or return per unit of volatility. As reference, the 5-yr Sharpe Ratio of the S&P/TSX Capped Composite Total Return Index is approximately **0.56**.

Standard Deviation:

A statistical measure of how far a variable quantity, such as the price of a stock or a portfolio, moves above or below its average value. The wider the range, which means the greater the standard deviation, the riskier an investment is considered to be because of uncertainty in the amount of return.

Upside Capture Ratio:

A statistical measure of a portfolio's overall performance in up-markets. It evaluates how a portfolio performs relative to a *benchmark* during periods when that benchmark has risen. A portfolio that has an upside capture ratio of greater than **100** generally outperforms the benchmark during up-markets.

Downside Capture Ratio:

A statistical measure of a portfolio's overall performance in down-markets. It evaluates how a portfolio performs relative to a *benchmark* during periods when that benchmark has declined. A portfolio that has a downside capture ratio of greater than **100** generally underperforms the benchmark during down-markets.

Sources: The Free Dictionary by Farlex, The Economic Times, Investopedia

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.

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