

Our Market View in Summary

June 2025

Contacts:

June proved that markets have become remarkably resilient. Despite headline-grabbing turmoil—from US airstrikes on Iran and high-profile disputes over US Fed policy, to the wrangling of historic fiscal legislation—equity markets quietly advanced. Beneath the noise, US economic data consistently outperformed expectations, reinforcing our cautiously bullish stance.

Key Highlights:

- Equities rose modestly even amid geopolitical shocks and domestic policy debates.
- Historic spikes in market anxiety (such as April's fear-induced sell-off) have, paradoxically, preceded subsequent rallies.
- Labor markets have been a topic of contention recently; however, the data has continued to support broader market stability – with nonfarm payrolls coming in above expectations, unemployment coming in at 4.1% (4.3% expected) and JOLTS job openings reversing trend and increasing for the months of April and May.

Near-Term Outlook:

- **Economic Resilience:** Both ISM Manufacturing & Services surprised to the upside with Services (70% of the US economy) remaining above 50, signalling expansion and supporting continued stability in the stock market despite political headline-driven noise.

Canadian Energy Outlook:

Given the stable nature of the broad markets this month, we thought it would make sense to spend a little more time on a sector that we think is compelling - Canadian oil and gas.

- **Canadian Upstream Resilience:** Producers are generating free cash flow regardless of commodity prices, and many are repurchasing shares to boost production-per-share metrics.
- **Leverage to Commodity Prices:** In a sideways commodity price environment, ongoing share buybacks—and even opportunistic, modest debt-financed share retirements—can drive per-share value.

Markets have shown resilience despite geopolitical and domestic challenges, with equities advancing modestly. Economic data, including a strong labor market, continues to outperform expectations, supporting stability.

Canadian upstream energy producers are generating free cash flow and boosting per-share metrics through share buybacks. We remain cautiously optimistic, mindful of headline risks but encouraged by economic fundamentals.

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June 2025

Fellow Palisade Investors and Friends,

Please find attached our June 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

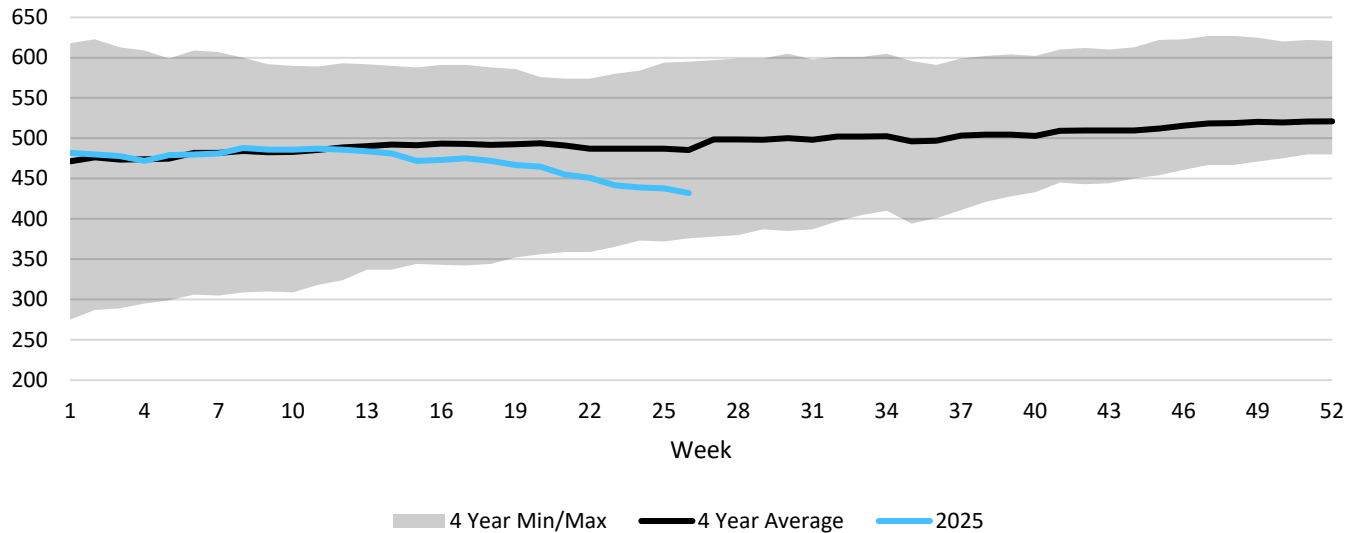
It seems bizarre to come through a month that included the United States dropping bombs on Iran, public disputes between the President of the United States and the Chairman of the US Federal Reserve on interest rate policy, as well as the battle over the passing of one of the largest spending bills in US history and think “Well, markets performed well - pretty quiet month overall”, but it’s true. Maybe we’re just becoming immune to the absurdity of the daily headlines. That said, the general undertone of the markets remains positive. Markets traded up in the face of much turmoil and the US economic data continued to be supportive and better than expected (feared). This would continue to speak to the playbook that we’ve laid out over the last two months, whereby extreme spikes in fear like we saw in April typically lead to stock market outperformance, even in the face of some challenging and scary headlines. Our cautiously bullish outlook has not changed.

Given that our view on the broad markets has not changed, we thought we’d spend a little more time in the oil and gas space this month to focus on what we think should be the underlying drivers of the stock prices, at least in the near term. The sector catalysts are changing – no more war premium, likely no Iran sanctions, OPEC+ continues to increase production quotas and President Trump continues to campaign for lower, or at least stable, oil prices. So, if we acknowledge these changes in the market, what are the positives that keep us focused on the medium and long-term outlook for the energy sector as a whole?

Through a period of weaker oil prices during the first half of the year, we have seen flat US oil production and producers responding to lower prices by cutting capital expenditures and lowering the number of active rigs. Global oil storage remains near the low end of the five-year range and the rig count steadily moves lower week after week. The chart below shows the US oil-directed rig count year to date inside a range that shows the peak and trough reading over the last four years. As you can see, the rig count is now at the low end of the range. Recent commentary from Texas-based producers points to an environment of uncertainty, difficulty managing costs due to higher steel prices resulting from tariffs, and a general feeling of frustration with the Trump administration. “Drill Baby Drill” cannot simply be willed into action.

In our view, the rig count will continue to decline until commodity prices justify more active levels, combined with visibility to policy that is more favorable to domestic oil production, which likely doesn’t occur with the existing administration. Low inventories, flat to declining production, a consistently lower rig count, higher natural gas production associated with Permian oil wells, and a US economy that continues to be steadily growing should set up a favorable supply and demand environment going forward.

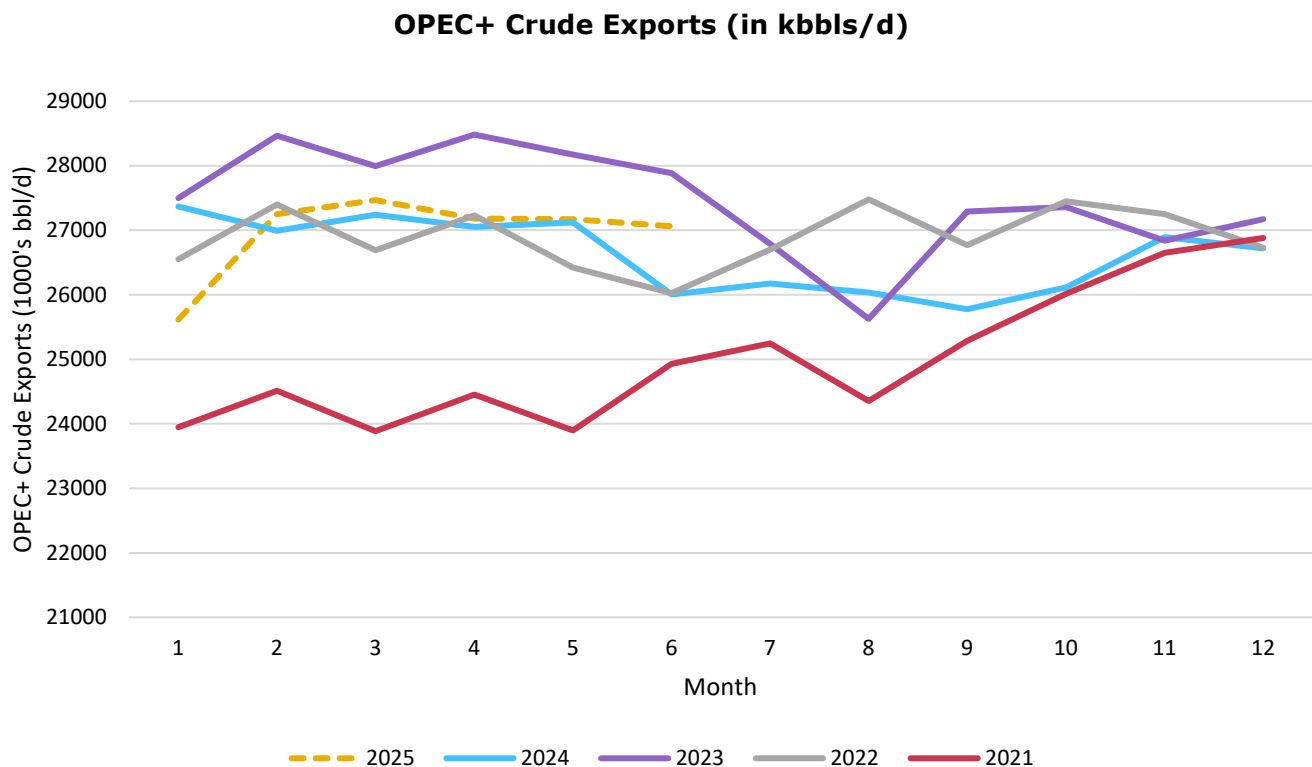
U.S. Oil Rig Count



Source: Bloomberg

OPEC+ announced in June 2024 that they would start the process of increasing production quotas, but this increase was subsequently delayed until April 2025. The first increase was 138,000 barrels per day, with the intent of slowly unwinding the 2.2 million barrel per day cut that was voluntarily implemented in 2023. Since then, we have seen three separate announcements of quota increases of 411,000 barrels per day, with a just announced (July 5th) additional increase of 548,000 barrels per day in August. This would leave only one more increase to go before fully restoring all of the production cut in 2023. Interestingly, when the most recent quota increase was announced, the price of oil actually went up the next day after a brief dip immediately following the news. That price action would typically point towards the market already expecting, and pricing in, the impact of the quota increase, which should be a good sign.

More interesting is the actual levels of oil exports coming from the OPEC+ countries. So far, OPEC+ oil exports have been roughly flat over the last five months with oil production only increasing materially in Saudi Arabia. This points to the fact that many OPEC+ nations were producing above their quotas before the announced increases in 2024. Countries like Iraq and Kazakhstan were producing above quota and don't have the ability to quickly raise production. Saudi Arabia is really the only country capable of a material increase. The chart below shows OPEC+ exports year-to-date overlaid against the previous year's data. So far, we haven't seen a material increase in exports, even though the oil production quota has increased. Not that there needs to be a direct correlation between production and exports, but at some point, what's the point of increasing production if you aren't going to export it and sell it? It looks like actual OPEC+ production increases are harder to achieve than has been expected or communicated. This will be more evident if we don't see exports increase in a few more months.



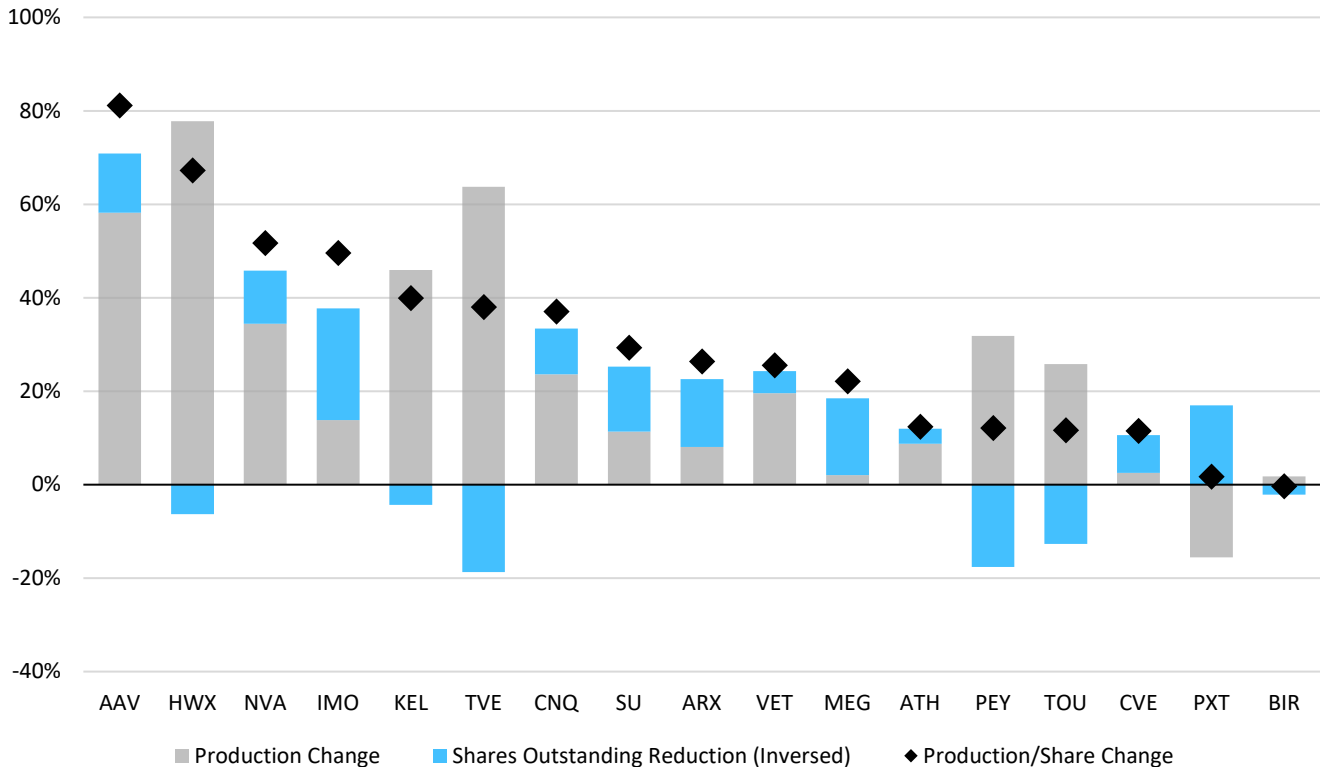
Source: Kpler

The third, and most compelling, reason to be constructive on the mid-term outlook for oil stocks is the fact that the Canadian companies continue to get stronger, more efficient and cash flow driven, regardless of the price of the underlying commodities. The chart below shows the amount of production growth, and more importantly production per share growth, for the majority of the Canadian oil and gas universe since the beginning of 2022. Over this time, the TSX Capped Energy Index has been trading in a wide but flat range while the companies continued to add value as shown by their production per share. In a world of flat share and commodity prices, the best way that the companies can add per share value is to buy back shares with excess free cash flow.

There are many trade-offs to consider, including capital expenditures for production growth, debt repayment (likely only required if a company has done a recent acquisition, as most companies' balance sheets are in exceptionally strong positions), dividend growth, and infrastructure spend to accommodate longer-term growth initiatives, however the repurchase and cancellation of shares is a very easy way to add value for existing shareholders. The less shares outstanding, the more of that business there is to go around for the smaller number of remaining shareholders.

As an example, since Q1 of 2022, NuVista has increased production by 34% and repurchased 11% of their shares outstanding, leading to production per share growth of 52% over that time period. Some companies leaned more heavily towards buybacks, with Imperial Oil buying back almost a quarter of its shares over the period (24%) while modestly growing production (14%), while a firm such as Headwater slightly grew its share count (6%), but was able to grow production by 78% over the time period. In a sideways commodity price environment, this should enable share prices to increase (all else being equal), but in an increasing commodity price environment it should add leverage to upside stock price movement.

Change in Production, Shares Outstanding & Production/Share Since 1Q 2022



Source: Bloomberg

In summary, the Canadian oil and gas companies are in the best shape that they have ever been in from a business model perspective. If commodity prices continue in a sideways fashion, these companies should be even more aggressive in buying back shares to add value for long-term holders of their shares. It hasn't happened yet, but we wouldn't be surprised to see a company with an exceptionally strong balance sheet actually take on a small amount of debt to buy back shares. Many Canadian oil and gas companies have almost zero debt. It wouldn't be crazy to see a little debt combined with hedging commodity prices on some current production to add value, especially considering that these companies used to operate with significantly higher debt levels in years gone by. The industry supply/demand fundamentals should improve, but management teams shouldn't be focused on rising commodity prices, they should be doing whatever they can to add per share value now, regardless of what commodity prices are doing.

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

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

| | 1-Yr | 3-Yr | 5-Yr | Description |
|-------------------------|------|------|-------|--|
| Growth+ Portfolio | 7.7% | 9.2% | 13.0% | Long-Term Growth Focus |
| Inflation+ Portfolio | 7.5% | 8.0% | 9.6% | Low Volatility Growth/Inflation Protection |
| Income+ Portfolio | 8.5% | 6.2% | 8.5% | Income / Moderate Growth Focus |
| Preservation+ Portfolio | 6.4% | 4.7% | 5.9% | Capital Preservation Focus |
| Alternative+ Portfolio | 7.3% | 6.5% | 9.1% | Uncorrelated Growth/Capital Protection |
| Endowment+ Portfolio | 8.7% | 7.5% | 8.1% | Very Low Volatility/Capital Protection |

*Returns for periods longer than one year are annualized.

Please see the Model Portfolios Hypothetical Performance Disclaimer below.

The May 2025 monthly return for two constituent funds that are included in the Income+, Growth+ and Alternative+ Portfolios has been assumed as 0%.

PALISADE FUND COMMENTARY

The **Palisade Select Fund** ("PSF") was up 6.4% in June. The S&P/TSX Capped Energy Index ("Energy Index") was up 4.6% and the WilderHill Clean Energy Index ("ECO") was up 12.0% for the month.

We've outlined above some of the more interesting elements of the current oil and gas investing environment, so we'll keep this brief. It was notable that through the second half of June, the energy stocks held in better than the commodities. When it became clear that the Iran/Israel war was going to end without any damage or risk to oil supplies, the price of oil quickly declined by 17% in two days. The stocks traded down, but as the price of crude neared pre-war levels, some stocks found "dip buyers" at relatively higher levels. Stocks like Tamarack Valley (TVE), Imperial Oil (IMO), International Petroleum Corp. (IPCO) and NuVista (NVA) have continued to show some relative strength. If you go back to the commodity price lows from early April, there is even more notable relative strength in names like Athabasca (ATH), Paramount (POU), Headwater (HWX) and Peyto (PEY).

Some of these companies are more tied to the price of natural gas, but even in that case, the positive relative strength may be even more notable given that the current price for natural gas is at the same level that it was in mid-April, yet the stocks are well off their April lows. In years gone by, the general rule of thumb would be that the stocks move first before you see a sustainable move up in the commodity, so the current trading action should put us in the earlier stages of a commodity price recovery driven by increased natural gas demand, oil supply growth being more difficult than expected at current prices, and a global economy turning out to be more resilient than feared.

The **Palisade Absolute Fund** ("PAF") was flat in June. We saw a limited number of trades across all three Palisade funds again in the month of June. We have kept the net exposure of PAF at around 50% net long, and have brought it closer to 60% since the start of July. In PAF during the month, we saw some headwinds from weakness in the US dollar, which works against the value of our US growth holdings when converted back to Canadian dollar values. Negative US dollar sentiment is reaching extremes typically associated with bottoms in the dollar, with the dollar having just had its worst half year since 1973, which will bring some incremental benefit to PAF if we see an expected bounce. Canadian stocks were a mixed bag this month with some outperformance seen in the value and commodity-oriented sectors, but some retrenchment in the more growth and leadership-oriented stocks.

The **Palisade Vantage Fund** ("PVF") was up 2.6% in June. For the month, the S&P/TSX Canadian Dividend Aristocrats Total Return Index ("Aristocrats Index") was up 2.1% while the S&P/TSX Composite Total Return Index ("TSX Composite") was up 2.9%.

The main story for the PVF going forward will be the timing and degree of additional interest rate cuts from the US Federal Reserve and the Bank of Canada in the back half of 2025. The PVF has performed well so far in 2025, but when we get some tangible rate cuts, it should provide a material tailwind to performance, similar to what we saw in the second half of 2024 when central banks were actively cutting rates. It's not something to count on or wish for, but if the next US Federal Reserve Chairman was more flexible to the desires of the US President in seeing lower interest rates, the dividend paying

and interest sensitive stocks could really start to hum. Again, we would much rather see a US Federal Reserve that is completely independent of the political process in the US, but if it becomes a reality, we do need to be aware and trade that reality. We expect a constructive interest rate environment for the PVF for the remainder of 2025.

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.