

PALISADE CAPITAL CLIENT UPDATE

July 2021: Slow Motion Developments

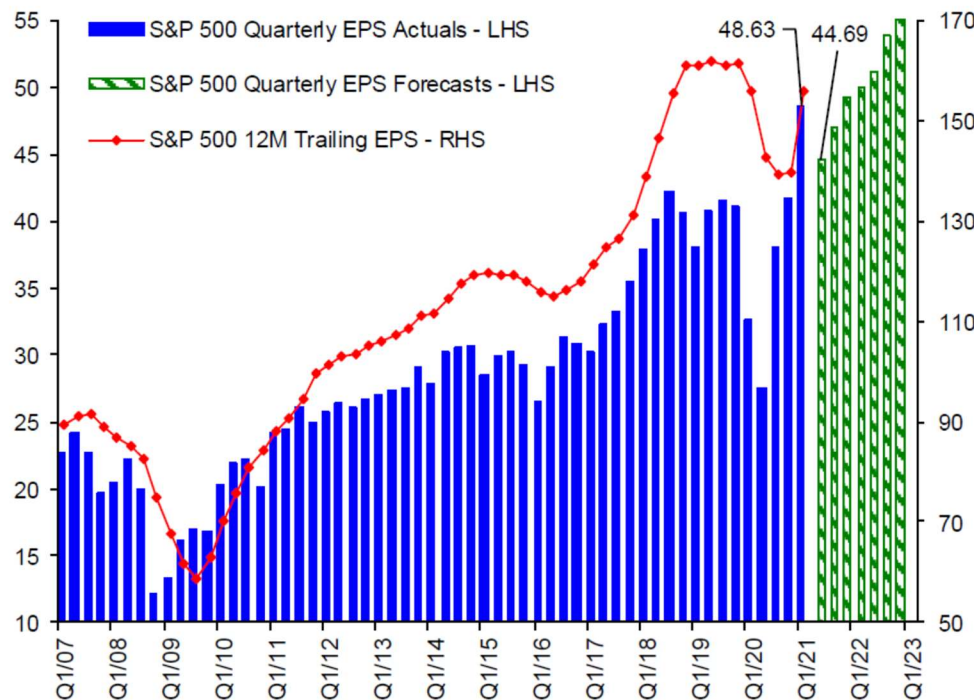
July 14, 2021

June 2021 Funds Overview

- Markets are a bit messy under the surface. Reflected in the Funds monthly performance. Oil and gas, some financials/REITs and selected growth stocks working. Everything else not working.
- Absolute Fund down 1.5% in June. Up 16.3% year-over-year
 - Example of the under the surface challenges
 - 53 total positions (at month end) diversified across sectors, mostly long positions with ~40% net long exposure, many company specific positions, yet the fund was down when Select, Vantage and market were up. No individual big losses
 - Intended to have low correlation to the market, but it's reflective of poor breadth.
- Select Fund up 6.2% in June. Up 79.2% year-over-year
 - TSX Capped Energy Index up 8.0% in June. First positive month for the Wilderhill Clean Energy Index (NYSE: ECO) since January. Oil and gas exposure (including infrastructure) at 70%
- Vantage Fund up 2.4% in June. Up 36.4% year-over-year
 - Benefited from energy infrastructure and some REITs exposure

Earnings Recovery Continues

Exhibit 1: S&P 500 Quarterly Earnings per Share



Source: Scotiabank GBM Portfolio Strategy, FactSet.

- US corporate earnings were at an all time high in Q1 2021 (blue)
- Quarterly estimates dip in Q2 but then reach new highs in Q4 2021
- Trailing 12-month earnings should eclipse old highs in Q2
- Interesting to note that earnings had plateaued in 2018 for two years, but post Covid and still not fully recovered daily routine wise (work, travel, etc.), corporate profitability is the best it's been

Short-Term View – Slow Motion

- Lowering fund exposure to ride out the rotation and risk
 - With fewer stocks and sectors working it makes sense to be patient
 - Commodity prices themselves remain stable with the exception of lumber
 - May get an attractive buying opportunity
- Still expect to see commodity stocks and interest sensitive stocks perform well due to attractive valuations, early stage of the cycle and year over year cash flow growth
 - Supply demand also looks positive in many commodities
- Need to step back and observe what new trends might be emerging
 - Lots of day-to-day volatility, but over a few weeks the stocks in many sectors are generally flat.
 - New trends (or continuation of trends that had paused) should happen over the summer
 - Oil and gas, some REITs and selected growth stocks did well in June

Interest Rates Lower Than Expected

- Subject of much debate lately, but generally speaking, we would expect rates to go higher if strong economic rebound is to continue
- Reasons: Too much cash in the system? Slowing economic outlook? Delta variant fears?

SeventhFloorCapital published on TradingView.com, July 08, 2021 14:21:49 MDT
TVC:US10Y, D 1.2912 ▼ -0.0270 (-2.03%) O:1.3230 H:1.3230 L:1.2500 C:1.2910



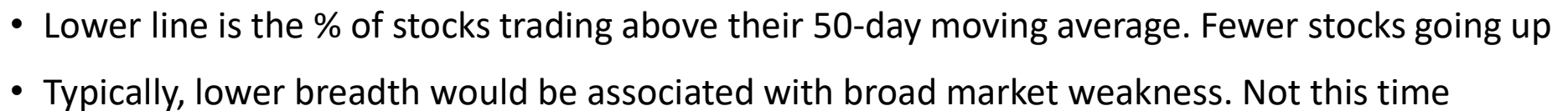
TradingView

Recent Growth Outperformance Continues

SeventhFloorCapital published on TradingView.com, July 08, 2021 14:44:51 MDT
AMEX:IWF/AMEX:IWD, D 1.75 ▲ +0.01 (+0.34%) O:1.74 H:1.77 L:1.74 C:1.75



- Growth stocks relative to value stocks bounced hard in June and have continued higher and broken the downtrend in July
- As economic recovery enters a more “stabilized” part of the cycle it might make sense to add a little more growth to portfolios (on a dip!)



Energy Tech and Renewables Recovering

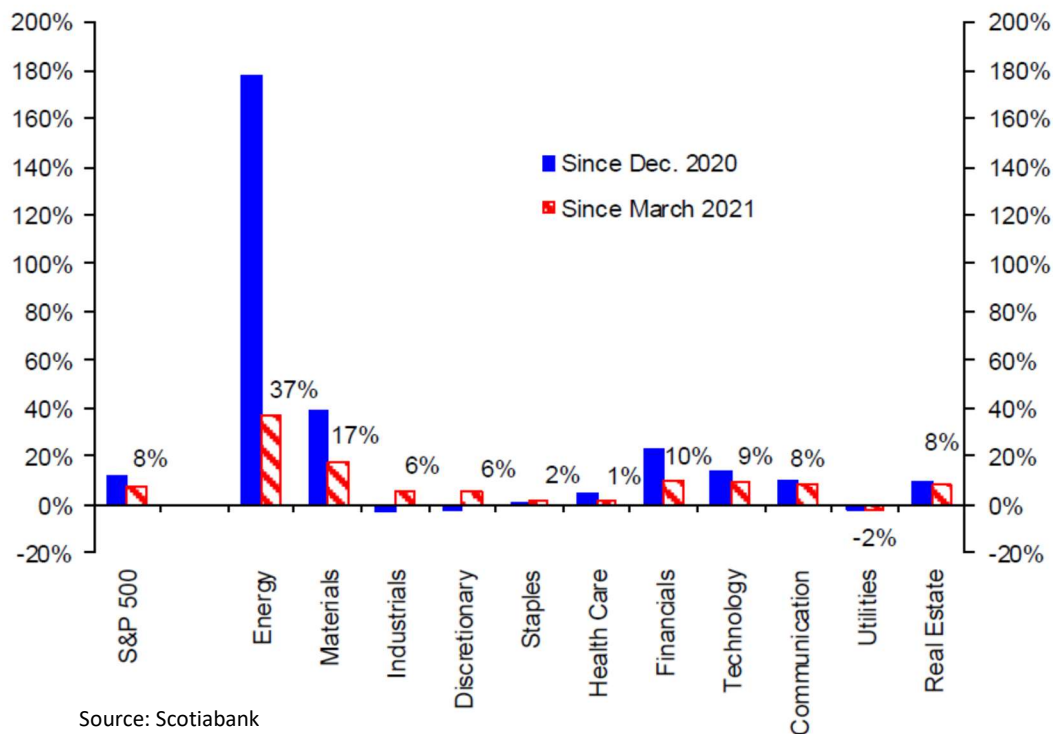
SeventhFloorCapital published on TradingView.com, July 13, 2021 16:12:03 MDT
NYSE:ECO, 1D 184.42 ▲ +2.52 (+1.39%) O:181.90 H:184.57 L:180.60 C:184.42



- Wilderhill Clean Energy Index (NYSE: ECO) had declined almost 50% from its peak in January to low in May. The more “tech” oriented names are trading better than renewable producers
- These stocks have started to recover, in conjunction with growth stocks. Have not added exposure in Select, but still maintain an 18% weight

Earnings Revisions By Sector

Exhibit 14: Revisions to Q2/21 EPS Estimates – S&P 500



- Earnings revisions looking good ytd and since Q1 2021
- Since March 2021 S&P 500 earnings have been revised higher by 8%
- Energy has the best earnings revisions by far, which should lead to continued outperformance
- Other leaders include materials, financials, communications, technology, and slightly surprisingly, real estate

Portfolio Strategy

- Maintaining long term view around value, commodities and economically sensitive names, but recognize near term changes
- Recognize that we might be entering a different stage of the recovery and a need to bring a little more growth (ie. balance) back into the Funds
- Revisit other themes and ideas as markets may evolve differently. Focus on earnings growth and company specifics
- As some favoured themes pull back (lumber, copper, long-term energy technology) look to buy that weakness after a period of stability
- Recognizing that sideways volatility has been the norm for certain sectors for a few months, just look to buy dips and be patient

Current Fund Positioning

Select Fund

- 58% Oil & Gas. 9% Infrastructure. 18% Renewables/Energy Tech. 8.3% Cash
- Trimmed slightly on winners in oil and gas and infrastructure
- Added a new spin out to portfolio in oil and gas. Still confident in medium term energy bull thesis

Vantage Fund

- 23% Financials. 18% Energy Infrastructure. 10% Real Estate. 7.8% Cash
- Raised cash by trimming winners. Overall fund is performing well
- Trimming from winning names in materials, financials and energy infrastructure

Absolute Fund

- 34% Short. 69% Long. 35% Net long
- 5% Golds. 22% Financials. 10% Materials (Copper, Lumber, Iron Ore)
- Trimmed some general winners and cleaned up a couple positions that weren't working the way we had expected. Added a couple company specific, catalyst driven situations

Strategic Wealth Management Partnership



Wealth Management Offering

- High net worth families need a true all-encompassing financial planning solution based on relationship and customization
 - Detailed financial plan
 - Customized portfolio solutions
 - Strategic advice on tax and estate planning
 - Insurance solutions
 - Proprietary sourcing for loans and credit
- Economic challenges in Western Canada require a different way to look at family finances and planning
 - Risk tolerances have changed. Plans required for long-term family confidence and tax optimization
- History and core principles of Palisade align directly with The Wealth Council
 - True focus on long-term client relationship. Aligned values. Transparent communication. Client-first approach

The Wealth Council (TWC)

- Founded in 2018 by Jeff Talbot
 - Started TWC on founding principle of a client-centered and holistic solution
 - 10 years as head of Tax and Estate Planning at Raymond James
 - 5 years with Canaccord as VP Tax and Estate Planning
 - Client-oriented reputation earned through work with accountants and lawyers
- Ten Team Members with expert knowledge in tax and financial planning, tax optimization and structuring. Retirement planning and estate planning. Corporate tax and strategic credit negotiations
- Client-centered approach designed to be completely independent. Focused on listening and problem-solving
- Particular value-add to clients with holding companies, professional corporations and operating companies
- Online client portal provides a real-time consolidated view of client's assets and tax information regardless of where those assets are held

TWC Value-Add Services

- Improve cash flow from professional holding corps
- Customized financial plans involving multiple entities
- Lower tax payable in estate planning
- Custom insurance solutions built for clients not commissions
- Securing credit and negotiating lending terms
- Advice on corporate structure to minimize tax

Palisade Model Portfolios

Palisade Portfolios	Objective
Palisade Growth+	Long-term capital growth
Palisade Income+	Regular income with moderate capital growth
Palisade Preservation+	Capital preservation while maintaining the potential for growth over time
Palisade Balanced	Combination of growth and income through allocations to equities, fixed income and alternatives
Palisade Balanced+	Balanced portfolio having reduced volatility

- Model portfolios customizable to client needs – in respect to risk/return balance and strategically to meet financial goals
- Models largely constructed using investment funds from third-party managers having successful long-term track records and pedigree

Palisade Growth+ Portfolio

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.**

FLEXIBLE

Construction that changes as markets change

TRUE DIVERSIFICATION

Access to investment themes and asset classes that might not be included in your current portfolio

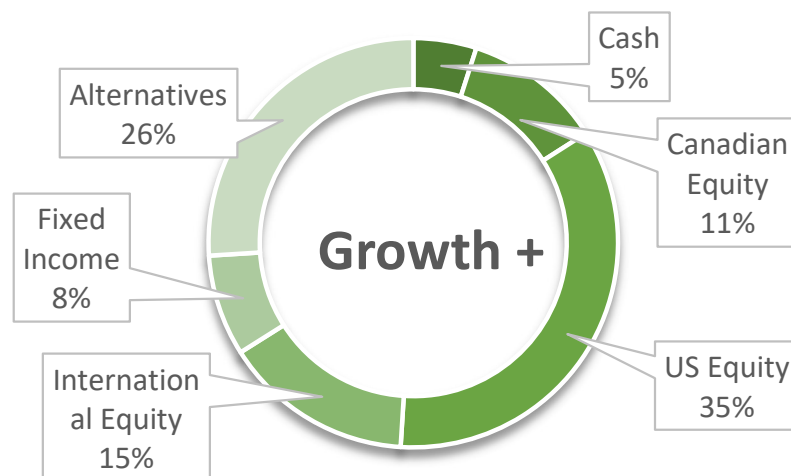
DOWNSIDE PROTECTION

Growth investing can be volatile. The inclusion of an allocation to alternatives seeks to lower portfolio volatility in order to protect your capital better and improve the long-term return potential



Growth+ Portfolio Characteristics

Portfolio Risk/Return Metrics
(5 years to Mar 31, 2021)



Primary objective of long-term capital growth

Sharpe Ratio 1.61

Std. Dev. 9.0

Best 3 months*
14.5%
(JAN 2013 – MAR 2013)

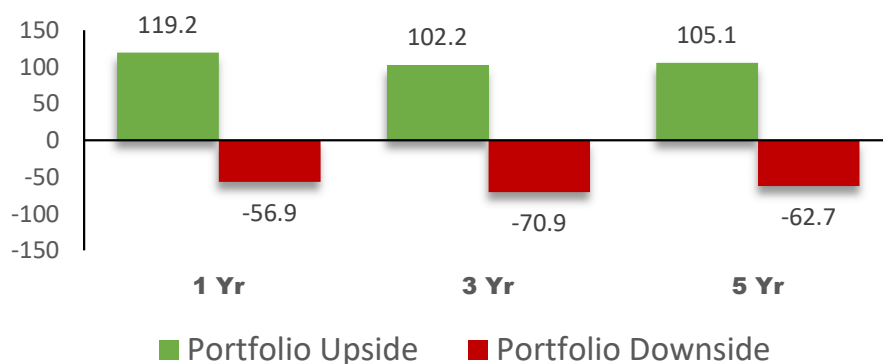
Worst 3 months*
-12.8%
(JUL 2011 – SEP 2011)

Annualized
Return 15.5%

*Over 10-year period

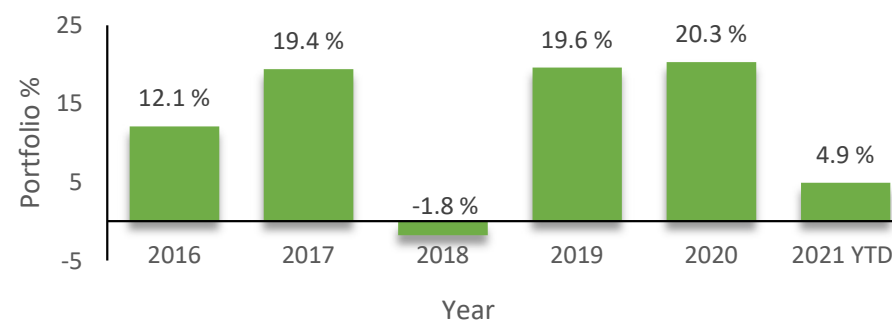
Upside & Downside Capture**

Growth+



Calendar Return

Growth+



**Upside & Downside Capture is relative to a benchmark of indices reflective of the asset allocation above.

IMPORTANT NOTES: Portfolio analysis is effective the date noted above. Portfolio shown is theoretical, is for illustrative purposes only and is not reflective of an investor's actual experience. Performance does not include portfolio management and custodian fees at the account level but is net of fees and expenses pertaining to underlying holdings. Mutual fund performance assumes the reinvestment of distributions while ETF performance does not include transaction fees. Performance integrates the earliest price date available for each holding and assumes monthly portfolio rebalancing. Some holdings did not exist for the entire period shown and therefore the most recent data will be most representative of the entire portfolio. Performance data represents past performance and should not be considered indicative of future results. An investor's actual portfolio must conform to their Investment Policy Statement established with their portfolio manager.

Palisade Income+ Portfolio

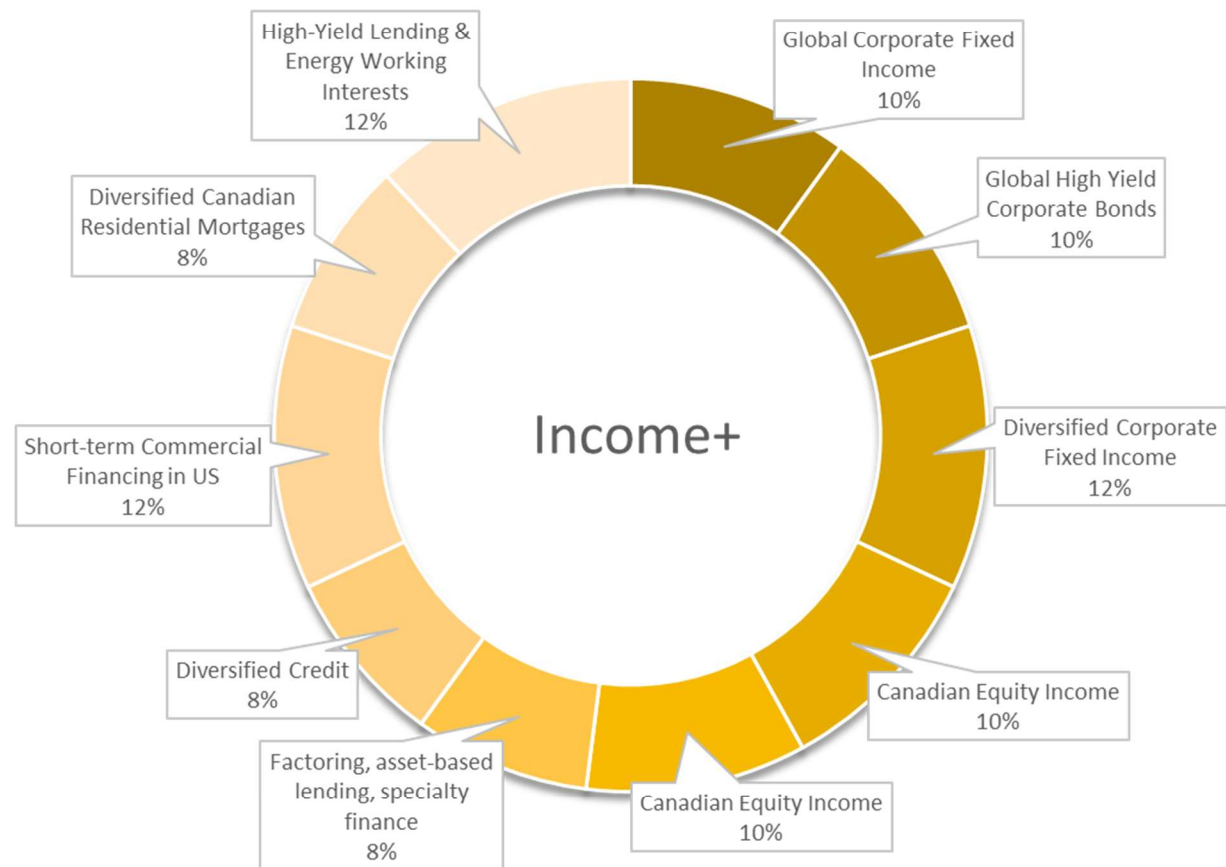
The Palisade Income+ Portfolio provides investors with a well diversified source of monthly/quarterly distributions from a portfolio of equities, fixed income and alternative strategies. The current portfolio yields approximately 6% annually.

The Palisade Income+ Portfolio seeks to maximize yield with a well diversified portfolio of assets that are high quality in Palisade's view

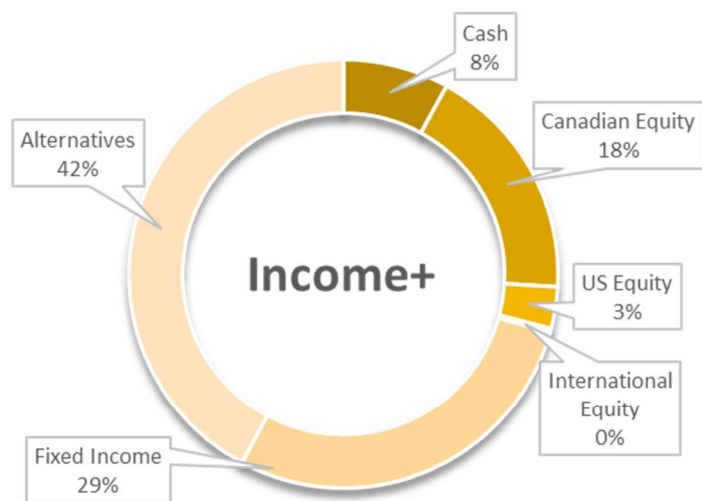
FLEXIBLE— Portfolio construction that changes as markets change

TRUE DIVERSIFICATION— Income generating assets diversified on a global basis and strategy. Includes corporate bonds, equity income, factoring, private debt, mortgages, etc.

LOWER CORRELATION TO INTEREST RATES In an increasing interest rate environment we believe it will be important to have a lower correlation to interest rates with assets that produce a consistent yield



Income+ Portfolio Characteristics



Portfolio Risk/Return Metrics
(5 years to Feb 28, 2021)

Primary objective of regular income with moderate capital growth

Sharpe Ratio 1.70

Std. Dev. 4.6

Best 3 months*
7.4%
(APR 2020 – JUN 2020)

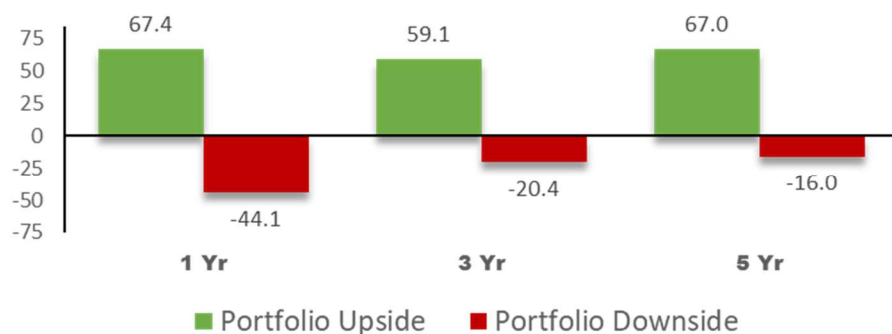
Worst 3 months*
-6.9%
(JAN 2020 – MAR 2020)

Annualized
Return 9.0%

*Over 10-year period

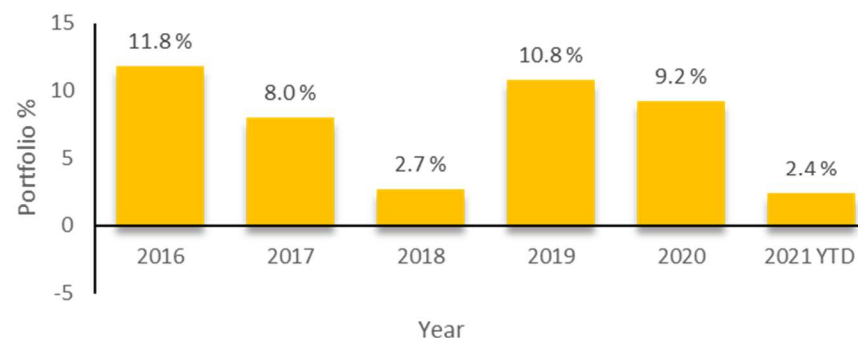
Upside & Downside Capture**

Income+



Calendar Return

Income+



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Palisade Preservation+ Portfolio

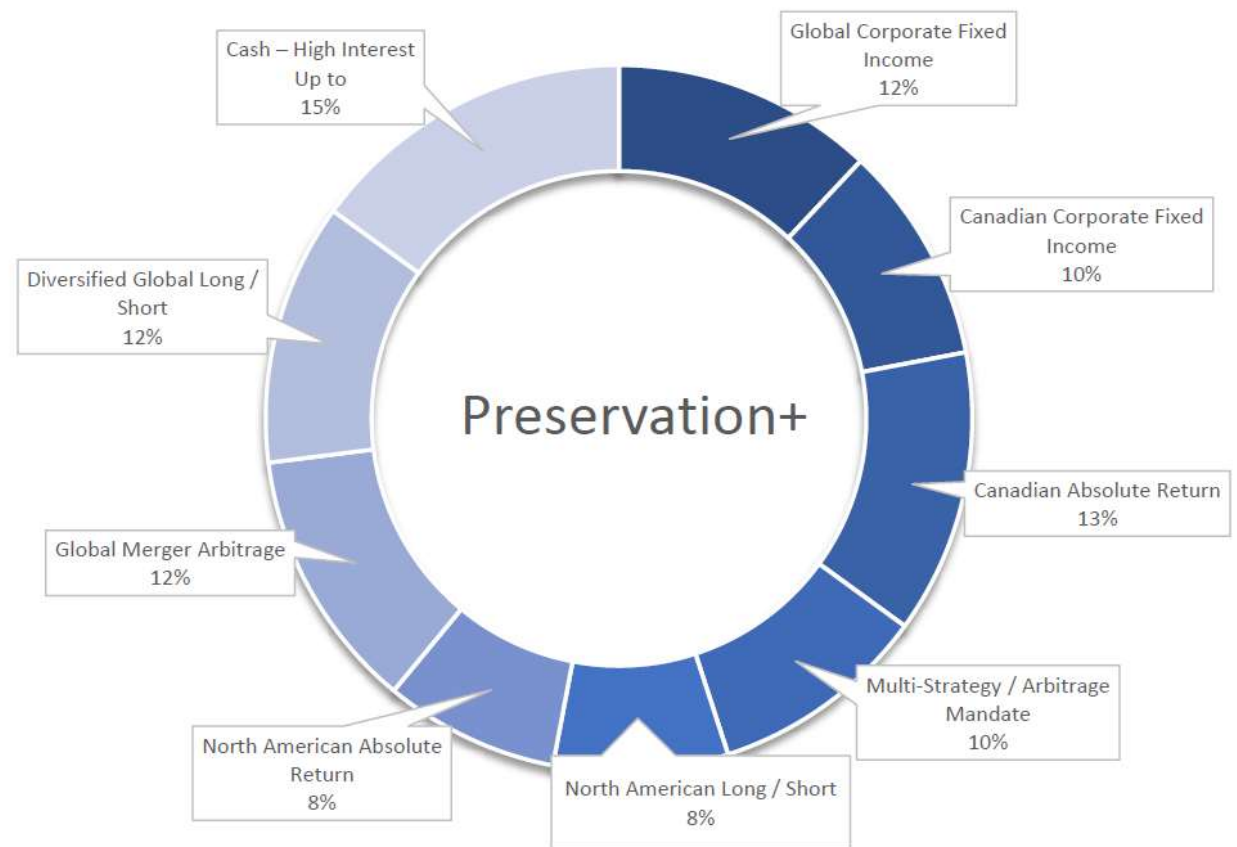
The Palisade Preservation+ Portfolio allocates to a well diversified portfolio of alternatives and fixed income products that have consistently produced positive returns on a calendar year basis, regardless of market conditions

The Palisade Preservation+ Portfolio specifically focuses on preservation of capital, with the objective of a quality total return profile with the benefit of tax efficient returns and good liquidity

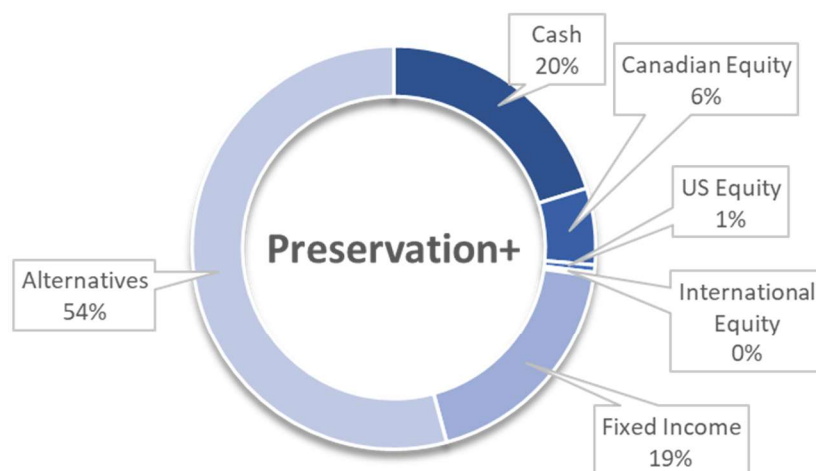
PRESERVATION – All products in the portfolio rarely have a down calendar year, while the overall portfolio has not shown an annual decline in the past ten years.

LOW CORRELATION – Strategies generally have a lower correlation to equity markets

QUALITY RETURN – Maintains an eye to a quality return through investing cycles. Mid-single digit return expectations



Preservation+ Portfolio Characteristics



Portfolio Risk/Return Metrics
(5 years to Mar 31, 2021)

Primary objective of capital preservation while maintaining the potential for growth over time

Sharpe Ratio 1.51

Std. Dev. 3.8

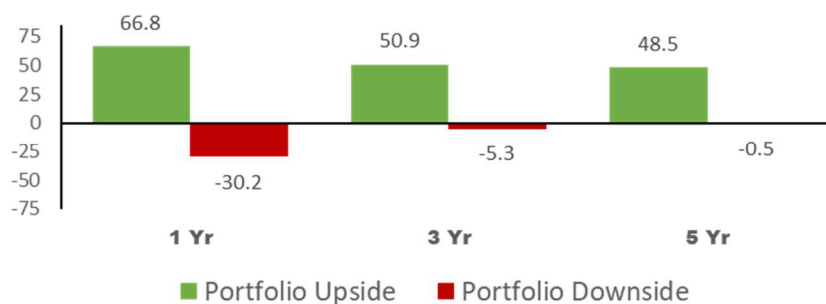
Best 3 months*
7.9%
(NOV 2020 – JAN 2021)

Worst 3 months*
-3.1%
(JAN 2020 – MAR 2020)

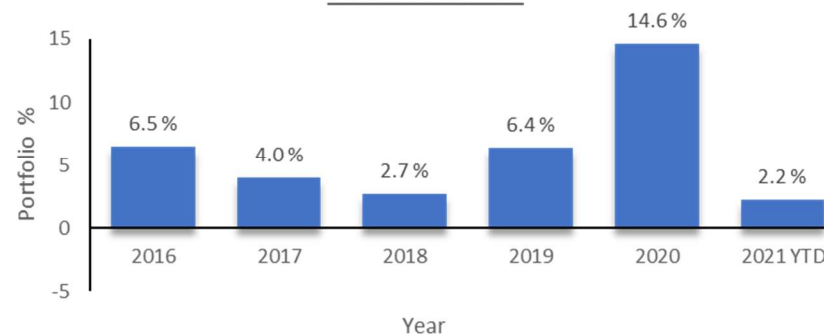
Annualized
Return 6.8%

*Over 10-year period

Upside & Downside Capture**
Preservation+



Calendar Return
Preservation+



**Upside & Downside Capture is relative to a benchmark of indices reflective of the asset allocation above.

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Wealth Management Summary

- Focused on providing an all-encompassing and customized solution for high net worth families
- All Palisade clients can access financial planning services free of charge
- Palisade and TWC have started working out of the same office, which will be fully integrated in the coming months
- Combined staff of 14 with expertise across all parts of the financial services spectrum – tax, estate, lending, insurance, portfolio management
- Customized portfolio solutions to address specific financial needs whether it be growth, income, preservation or a combination
- Unbiased view towards portfolio construction
- Strategic use of insurance to improve cash flow and/or lower tax, particularly when holding companies or professional corps are involved
- Clear and open communication with direct access to professional decision-makers

We welcome any questions, phone calls or other inquiries regarding the combined services offered by Palisade and The Wealth Council

Note that nothing has changed in respect to the resources dedicated to management of the three proprietary Palisade funds. Palisade's primary focus continues to be maintaining strong performance from the Palisade funds

Although nothing has changed in respect to Palisade's portfolio management services, we are excited to expand the services being made available to our clients. We have seen the mindset and needs of high net worth families change in the last five years. Our combined offering can provide a real plan to give families confidence that their needs will be met in the coming years

Thank you for your ongoing support!

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.

James Anderson
james@palisade.ca
403-531-2677

John McAleer
john@palisade.ca
403-531-2678

Carli Tyson
carli@palisade.ca
403-531-2674

Palisade Capital Management
Suite 1005, 444 – 5th Ave SW
Calgary, Alberta
T2P 2T8

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