SHORT DURATION CONVERTIBLE BONDS

A Compelling Alternative to Traditional Fixed Income

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The U.S. Federal Reserve's fight against inflation through increases in the Fed Funds rate and quantitative tightening has led to the worst year on record for the U.S. fixed income markets (as measured by Bloomberg U.S. Aggregate Bond Index performance of -15.7% year-to-date through October 31, 2022). This environment, when combined with the potential for additional rate hikes, has resulted in significant losses to fixed income portfolios.

When considering allocations to fixed income, convertible securities should not be overlooked. We believe an allocation to Palisade's Short Duration Convertible Bond strategy can provide investors with an attractive risk-reward profile, particularly in a "higher rates for longer" environment. Our strategy has performed well in periods of rising interest rates and outperformed during fixed income market drawdowns, all while maintaining additional return potential from the hybrid nature of the asset class.

CURRENT MARKET ENVIRONMENT

For more than a decade, central banks around the world kept interest rates at (or near) zero (negative when factoring in inflation). 2022 marked a stark about-face as most central banks, led by the U.S. Federal Reserve, aggressively raised interest rates to combat 40-year high inflation caused by unprecedented fiscal and monetary spending.

This paradigm shift from "lower for longer" to "higher for longer" interest rates has risks and challenges that bond investors have not experienced in decades. We are likely facing a potentially long period of rate increases and higher inflation coupled with higher volatility. We believe such conditions require an active approach to fixed income investing while paying close attention to duration and credit quality.

THE STRATEGY – AN ATTRACTIVE OPTION TO COMBAT DURATION RISK

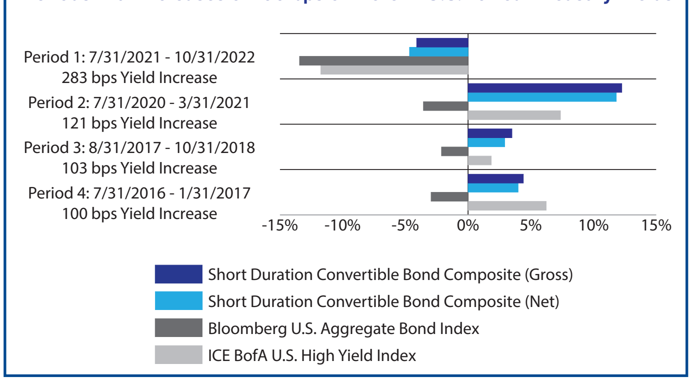
Palisade's approach uses strict pricing and maturity criteria, focusing the strategy on a well-defined subset of the U.S. convertible bond universe. We believe this subset of convertibles are overlooked by investors, yet the performance drivers are different from other asset classes, such as fixed income, equities, and alternatives.

Our investment parameters result in a portfolio of carefully selected short duration convertible bonds issued by companies we believe have a strong ability to repay debt at the applicable maturity or put date. A short duration convertible bond portfolio may provide an attractive alternative to investment grade and high yield corporate bond strategies for investors looking to reallocate risk assets in the current market environment while benefitting from competitive yields. In addition, the embedded option within convertible securities provides more upside potential than traditional bonds.

Rising Rate Environment

The hybrid structure of convertible bonds, together with the relatively shorter duration of our strategy (typically 2 years or less), results in a portfolio that is generally less sensitive to interest rate risk. This can be clearly seen when looking at the largest interest rate increases since the strategy's inception in 2016. The portfolio has performed significantly better than investment grade bonds and outpaced high yield since 2016.

Periods with Increases of 100 bps or More in U.S. 10-Year Treasury Yields

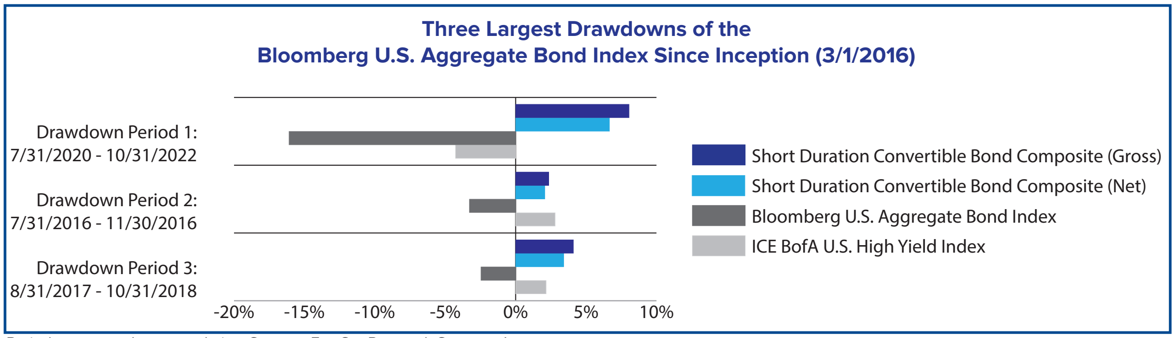


Performance periods greater than one year are are annualized.
Source: FactSet Research Systems, Inc.

Past performance is not a guarantee of future results.

Performance During Market Drawdowns

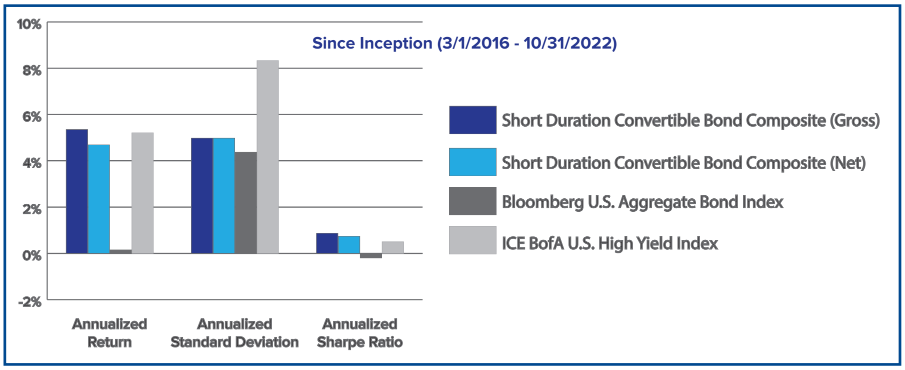
Palisade's Short Duration Convertible Bond strategy has also outperformed relative to the broader fixed income market, particularly in periods of market volatility. Since its inception in March 2016, returns of the strategy have been positive during the top three drawdowns for the Bloomberg U.S. Aggregate Bond Index.



Periods presented are cumulative. Source: FactSet Research Systems, Inc.

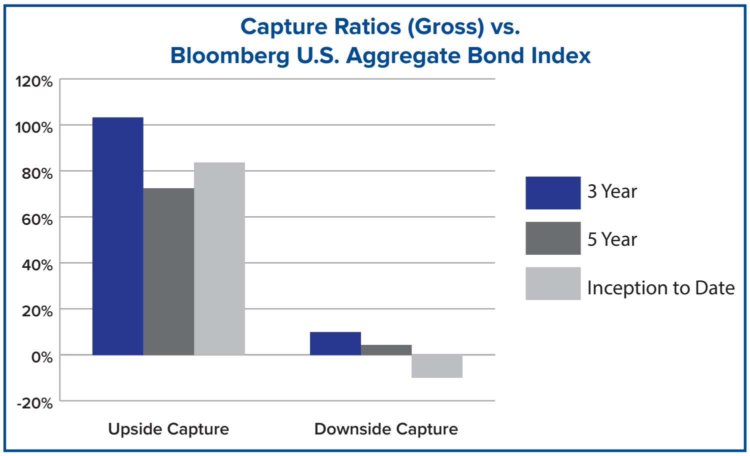
Risk Adjusted Returns

The strategy has also delivered strong risk adjusted returns, underscoring the portfolio's merits as a safer haven in uncertain markets, generating higher returns with modest additional risk relative to the Bloomberg U.S. Aggregate Bond Index. At the same time, the strategy achieved higher returns with less risk relative to ICE BofA U.S. High Yield Index.



Source: FactSet Research Systems, Inc.

The strategy has also demonstrated favorable upside capture due to the optionality inherent in short-term, out-of-the-money convertible bonds while providing downside protection derived from a portfolio priced near par value.



As of October 31, 2022. Source: FactSet Research Systems, Inc.

CONCLUSION

We believe short duration convertible bonds can be used to diversify a portfolio and enhance risk-adjusted returns as a component of a fixed income allocation, especially as we enter a new paradigm where interest rates will likely remain higher for longer. Investing in Palisade's Short Duration Convertible Bond strategy has the potential to provide investors with favorable asymmetrical returns with upside participation and less downside capture. We believe this optimal risk-reward profile will likely be further enhanced during this uncertain market environment.

PERFORMANCE AS OF OCTOBER 31, 2022

	October 2022	YTD 2022	1 Year	3 Year Annualized	5 Year Annualized	ITD (3/1/2016)
Short Duration Composite (Gross)	0.9%	-5.5%	-4.5%	4.6%	4.3%	5.4%
Short Duration Composite (Net)	0.9%	-6.0%	-5.1%	4.0%	3.7%	4.7%

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IMPORTANT INFORMATION

Past performance is not a guarantee of future results.

No assurance can be given that the strategy will be successful. The performance of the strategy can be volatile and involve a high degree of risk. Investors may lose some or all of their investment.

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The Short Duration Convertible Bond Composite includes all tax-exempt portfolios invested in convertible bonds which meet the following criteria: a maturity or put date within 3 years or less from the date of purchase and priced between 90%-106% of par value at purchase. Accounts with zero commissions are included in the composite. There is no available industry benchmark that invests solely in convertible bonds meeting these criteria; therefore no benchmark is being disclosed. Any account in the composite that has a cash flow withdrawal or deposit of 50% or greater of the assets of the account will be removed from the composite for that month and will be added back in the following month. The minimum account size for this composite is $3 million. The investment management fee schedule for the composite is 1% on the first $10 million, 0.75% on the next $10 million, 0.65% on the next $20 million, and 0.55% on the remainder. Actual investment advisory fees incurred by clients may vary. The Short Duration Convertible Bond Composite was created April 1, 2016 and the inception date is March 1, 2016.

The Bloomberg U.S. Aggregate Bond Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities.

The ICE BofA U.S. High Yield Index (H0A0) tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.