# Manager's Commentary

Parul Garg

Dear Investor

Since inception, the Fund has delivered a cumulative net return of 28.7%, outperforming the broad credit market (ICE BofA US High Yield Total Return Index) return of 15.9%. As of March 31, 2025, the Fund's net IRR stands at 18.3%. We are pleased to share that, since October 2024, we have distributed over $16.7 million to investors against our initial raise of $13.1 million. The Fund has now sold its final holding, the restructured equity in Cineworld, and is waiting for settlement to be completed. A final distribution is planned in the coming months, marking the full wind-down of the Pender Credit Opportunities Fund I.

While we won't cover broader market conditions in this letter—as they are no longer directly relevant to the Fund—we do want to share key takeaways from managing our first strategy-specific fund.

## Accessibility

We pride ourselves on being nimble in our investment approach while leveraging the strength of a robust investment infrastructure. Launching this fund under the umbrella of the larger Pender Corporate Bond Fund has been a pivotal advantage. Each investment we make requires deep due diligence and solid operational backing. By leveraging the infrastructure, broker networks and back-office resources of the larger fund, we have been able to significantly reduce these costs. A prime example is our participation in two investment restructuring steering committees tied to a new fund launch—committees that were previously difficult for smaller funds to access. On our own, our fund size would not typically open these doors. But thanks to the relationships built over the past decade and our alignment with the larger fund, we have earned a seat at the table. This access enables us to capture differentiated, idiosyncratic returns for our investors.

## Transparency

Transparency is a core strength. At the CFA Vancouver Forecast Dinner in January 2025, a panel of past presidents of CFA Society Vancouver highlighted the gap between paper NAVs and real NAVs in private credit. Our strategy is grounded in mark-to-market pricing—not mark-to-model—giving investors real-time visibility into NAVs with no end-of-fund surprises.

According to a Houlihan Lokey survey[1], 51% of LPs in private strategies wait over 13 years for full liquidation, with 12% waiting more than 15 years. In contrast, taking advantage of favourable market conditions, we were able to return 96% of our Fund in just 21 months.

This approach offers both us and our investors confidence in the Fund's transparency, liquidity and nimbleness. However, the one trade-off—though we view it as an opportunity—

[1] PitchBook – Capital Pool – April 15, 2025

is volatility. As a mark-to-market strategy, our NAV may fluctuate significantly at times, which is part and parcel of mark-to-market model.

### Return Potential & Opportunity Set

We do not view our performance as a one-time success. We believe our target universe should deliver double-digit returns over the long term and outperform the broad credit market. In the US, it is already well-established with deep institutional backing. While Canada is still early in its adoption, we are proud to be among the first to offer access to this space.

We are often asked about the opportunity set. Over the past decade, we have consistently found compelling investments—largely thanks to our size. Our smaller footprint allows us to move across the capital structure, including in sub-$100 million deals typically ignored by larger funds. This flexibility gives us access to unique, high-conviction opportunities others cannot pursue.

### Final Investment Update: Cineworld

Our last position in the Fund is the restructured equity in Cineworld, acquired post-bankruptcy. The company has made substantial operational progress, and the equity has appreciated meaningfully. We have now sold the security and are awaiting settlement to be completed.

### A Sincere Thank You

As this is our final letter to investors in this Fund, we want to extend a heartfelt thank you. While we have always believed in our process, team and strategy, being our first fund, we know it required a leap of faith. We are deeply grateful for your trust. We hope to have earned your continued confidence—and look forward to partnering with you again in the future.

Parul Garg
*April 25, 2025*