

Manager's Commentary

David Barr

September was another positive month for equities, with global markets hitting record highs despite ongoing uncertainty. In Canada, the S&P/TSX Composite and Small Cap Index reached new levels, while in the US the S&P 500 and Nasdaq advanced on positive performance in technology. Small caps also participated, with the Russell 2000 up 3.8% in September and 8.9% year-to-date.

Markets welcomed the Fed's 25 bp rate cut, which was well telegraphed and seen as supportive without reigniting inflation. Attention is now turning to the potential for further easing in Q4. Outside the US, returns cooled in September but remain ahead of the S&P 500 YTD, with emerging markets—led by China, Korea, and Taiwan—delivering robust gains thanks to currency shifts and supportive domestic policy.

Performance

The Pender Global Small/Mid Cap Equity Fund is down ~1.3% YTD. In September, the Fund posted a gain of 0.2%¹, compared to the S&P/TSX Composite Index which gained 5.4%, and the S&P/TSX Small Cap Index which gained 9.0%. Our weight in Canadian equities is ~71.3%, with ~22.5% in US equities and a small ~4.5% allocation held outside North America.

Fund specific updates

Although the Fund underperformed its benchmarks in September, we remain confident in our strategy. In a challenging macro environment, we are focused on high-quality businesses trading at reasonable valuations and capable of compounding value over time. We continue to see attractive opportunities in our holdings, particularly as M&A activity accelerates.

For example, in September one of our holdings **dentalcorp Holdings Ltd (DNTL)** announced that it is being acquired by GTCR LLC for \$11/share in cash, a 33% premium to close before the transaction was announced.

A long-term trend we've also noted is the attractive valuations in small caps, which continue to provide a tailwind as valuations revert toward historical averages—a shift already visible in some of our holdings.

Top Contributors	Contribution	Top Detractors	Contribution
dentalcorp Holdings Ltd (DNTL)	+118 bps	Vitalhub Corp. (VHI)	-58 bps
Aecon Group Inc. (ARE)	+71 bps	Burford Capital Limited (BUR)	-64 bps
Telesat Corp (TSX: TSAT)	+70 bps	Dye & Durham Limited (DND)	-125 bps

Performance was positively impacted by **dentalcorp's** takeout (as mentioned previously) as well as **Telestat** which we highlight below. On the detractor side, **Dye & Durham** weighed on returns after the company warned it would miss its audited financial statement deadline and sought a management cease-trade order. The stock hit new 52-week lows amid continued boardroom disputes and pressure from former executives and shareholders to sell the company.

¹ All Pender performance data points are for Class F of the Fund. Other classes are available. Fees and performance may differ in those other classes. Standard Performance Information for Pender's Equity Funds may be found here: penderfund.com.

Portfolio Activity	Action	Rationale
Zillow Group Inc. (ZG)	Trim	Legal and regulatory headwinds, market dynamics
International Flavors & Fragrances Inc. (IFF)	New	Buying opportunity at an attractive valuation
PAR Technology Corp. (PAR)	Add	Buying opportunity at an attractive valuation

This month, we added to several of our high-conviction ideas. **PAR** is a global foodservice technology company that provides omnichannel, cloud-based software and hardware solutions to the restaurant industry. The stock reached a 52-week low during the month, and we took the opportunity to increase our position. We continue to see a disconnect between PAR's intrinsic value and its underlying business fundamentals.

We see a similar dynamic with our new position in **International Flavors & Fragrances**, a leading creator of taste, scent, nutrition, and ingredient solutions for consumer products and industrial applications. With shares down sharply over the past year, we believe there is a meaningful valuation gap between market price and intrinsic value. The company remains on track to meet its 2025 commitments despite a challenging operating environment, and we continue to view the name favorably.

Stock Highlight: Telesat Corporation

Telesat operates in the global satellite communications industry — an area with scarce spectrum rights, high capital intensity, and durable competitive advantages. The company recently announced the spin-out of its majority interest in Lightspeed, its next-generation low-earth orbit (LEO) satellite constellation. This is an important step in restructuring the business and improves equity holders' leverage in negotiations with debt holders.

Our investment thesis rests on two key drivers:

1. A near-term balance sheet restructuring that should help de-risk the capital structure
2. The successful execution of Lightspeed, which is being designed and assembled by another Pender portfolio holding company, **MDA Space Ltd (MDA)**.

Investment Highlights

- **Secular Tailwinds:** Global demand for broadband connectivity continues to accelerate, led by governments, enterprises, and mobility customers — particularly in underserved regions.
- **Restructuring Catalyst:** The Lightspeed spin-out simplifies Telesat's balance sheet and may strengthen its position in creditor discussions.
- **Growth Engine:** Lightspeed will deliver high-speed, low-latency broadband essential for cloud, defense, and enterprise applications. Operating much closer to Earth than traditional satellites, the network can dramatically improve performance.
- **Financial Profile:** The legacy GEO satellite business continues to generate contract-based cash flow as Lightspeed scales. While the GEO segment is mature, it offers stability that supports the company's transition toward higher-growth LEO operations.

Why own it through the Fund

Telesat is a compelling but complex investment story — where success could unlock substantial equity value. We believe holding it through the Pender Global Small/Mid Cap Equity Fund provides the best balance: gaining exposure to long-term growth and restructuring catalyst while benefiting from diversification and active risk management across the broader portfolio.

David Barr
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