

Manager's Commentary

David Barr

Market Environment

Equity markets extended their gains in September, with major global indices reaching record highs despite ongoing macro and geopolitical uncertainty. In Canada, both large- and small-cap indices posted impressive returns — the S&P/TSX Composite rose 5.4% and the S&P/TSX Small Cap Index gained 9.0% — while in the US, the Russell 2000 advanced 4.5%, outpacing large-cap peers by one percentage point. Investor optimism was fueled by moderating inflation, expectations for rate cuts, and renewed confidence in capital markets, particularly in the resource and industrial sectors, where oversubscribed deals provided attractive entry points for active investors.

Still, such an extended “everything-is-working” rally often sets the stage for mean reversion, making stock selection more important than ever. With sentiment stretched and valuations elevated, volatility around earnings and policy decisions continues to create opportunities for catalyst-driven, event-oriented strategies — the kind of environment the Fund is designed to exploit.

Index / Fund	September Return	Q3 Return	YTD Return
Pender Partners Fund¹	+1.8%	+4.8%	+2.9%
S&P/TSX Composite (CAD)	+5.4%	+12.7%	+24.2%

Portfolio Highlights

The Pender Partners Fund gained 4.8% in Q3 and 2.9% YTD. The Fund's all-cap mandate provides the flexibility to capture opportunities across market segments and geographies. As of quarter end, the portfolio comprised of 36 holdings with an Active Share of 96% and beta of 0.86, reflecting a differentiated, high-conviction approach. Top holdings are within Financial Services, Industrials, and Technology, which together account for nearly 50% of sector exposure.

Top Contributors	Contribution	Top Detractors	Contribution
Ero Copper Corp (ERO)	+78.1 bps	Webster Financial Corporation (WBS)	-22.5 bps
Pender Small Cap Opportunities Fund	+63.3 bps	Burford Capital Limited (BUR)	-35.8 bps
Brookfield Corporation (BN)	+ 25.2 bps	Deckers Outdoor Corporation (DECK)	-49.6 bps

Ero Copper Corp was a top contributor in September as copper prices rallied toward \$10,500/ton, the highest move since April. The rally was fueled by supply disruptions, a weaker US dollar, rising demand tied to data centers and one of Pender's key investment themes — **the energy**

¹ All Pender performance data points are for Class A 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.

transition. With copper up nearly 20% this year, the company continues to benefit from powerful secular tailwinds.

Brookfield Corporation was also a top contributor in September, advancing on continued momentum across its asset management and infrastructure platforms. The company benefited from continued fundraising momentum and broader investor sentiment toward alternative asset managers improved as expectations for lower interest rates lifted valuations in the sector.

The position in **Pender Small Cap Opportunities Fund (PGF 340)** provided additional exposure to undervalued Canadian small caps, reinforcing the Fund's bottom-up value orientation.

Currency exposure remained balanced, with USD holdings at 55% and CAD holdings at 42.5%, providing diversification and a modest buffer against currency-driven volatility.

Portfolio Activity	Action	Rationale
Starbucks Corporation (SBUX)	Sold	Reallocating capital toward higher-conviction opportunities amid slowing traffic trends and margin pressure in its key markets.
Elevance Health Inc. (ELV)	Sold	Redeploying capital into opportunities with greater near-term upside amid rising medical cost trends and slowing premium growth.

This month, we trimmed and sold select holdings to redeploy capital into higher-conviction opportunities with stronger near-term catalysts:

Starbucks was sold during the month. While Starbucks remains a globally recognized brand with a strong long-term franchise, recent results reflect softening traffic trends, margin compression and uneven international performance, particularly in China. With limited visibility on a near-term recovery in operating momentum and more compelling opportunities elsewhere, we opted to exit the position and focus on names with clearer upside potential.

Elevance was also sold this month reflecting our view that rising medical cost trends and moderating premium growth may constrain earnings momentum. While we continue to view the company's long-term fundamentals positively, the near-term risk-reward is less compelling.

Outlook

We believe the current market environment remains attractive for the Pender Partners Fund, which is designed to capitalize on valuation inefficiencies and corporate catalysts across the market-cap spectrum. With capital markets activity increasing and macro uncertainty persisting, we see a growing pipeline of opportunities where structural change — including asset sales, spin-offs, recapitalizations and M&A — can unlock value for disciplined, active investors.

As we look ahead to Q4, volatility tied to interest rate expectations, geopolitical developments and shifting investor sentiment is likely to persist, creating a constructive backdrop for selective, bottom-up investing.

Our goal remains consistent — to deliver long-term capital growth by identifying mispriced securities across sectors and geographies, leveraging Pender's deep fundamental research and event-driven investment approach.

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