

## Manager's Commentary

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### Market Insights

To say 2025 has been an odd year is an understatement. After a series of years with strong returns, everyone began January with muted expectations. Valuations were high and the prospects for earnings growth were low. However, optimists were quick to remind you that President Trump in his first term would often use the stock market as a scoreboard. So having him back in power should lead to support from Washington.

But that didn't go according to script. Soon after entering office, we learned this term might be different from the last. Tariffs and Liberation Day led to a violent selloff in April. Suddenly a President that was supposed to be helping markets was becoming its enemy. Of course nothing lasts forever, and after a few scary weeks, the realization seemed to settle in that he may have overplayed his hand.

The tone from Washington quickly changed back to market friendly and equity markets enjoyed one of their strongest summer rallies we have seen in years. Entering the fall, which is seasonally the most volatile time of the year, there was a valid reason to be concerned that we were due some sort of setback. This was of course the part of the calendar year when markets have historically run into trouble. However, seasonality has not worked at all this year. While everyone waited for a dip, markets kept grinding higher. As once again, the 'market will do what makes the most people wrong' rule came into play.

Entering November after weathering the storm and getting past earnings season, everyone was feeling pretty good. We had avoided a few landmines and there didn't appear to be any problems on the horizon. That was the hint. As always when things seem too good, that's when you should have worried and that was when the volatility finally hit.

November was a tough month for many investors. Those that had been waiting for a correction finally got it, but it didn't last long and the rally to end the month destroyed many hedges. Anyone that was bullish to start the month got hit as the AI trade unwound, but were saved post the Nvidia earnings report as, regardless of the circular financing going on, the rest of the technology ecosystem took over.

So where does that leave us now?

December is usually a positive month, but we already know this year isn't like others. Corporate earnings have come in much better than feared as the US consumer is doing better than expected and AI spending remains robust. Yet there is a lingering feeling that this isn't going to end well.

In basic terms everyone seems to have come to the conclusion that the US dollar is now worth a lot less than it was before. The amount of money printing by central banks has eroded so much value it's hard to ignore that it can no longer be considered a store of value. As such hard assets such as gold look pretty good here.

While all risk assets were sold off in November on some short-term concerns around interest rates it does seem like the path forward for equity markets is higher in the near term. December looks like a setup for a rally, and we should let it happen. But remember all good things come to an end. This is a rally you sell in to. Enjoy it but it isn't forever.

### Fund Update

The Pender Alternative Select Equity Fund was higher by 2.2<sup>1</sup>% for the month and is now higher by 36.0% for the year. This compares to the TSX Composite Index, which was higher by 3.9% for the month and 30.0% year-to-date. November was a volatile month with some wild sector swings. For most of the year the Fund had enjoyed being positioned overweight in the materials (gold) and energy (uranium) sectors, yet they acted as a drag for the first half of the month. Profit taking hit these sectors and affected a few of our holdings. We took the opportunity to add to positions on this pullback and enjoyed the rebound into month end.

One area that hasn't worked out as planned is our exposure to the crypto sector. With weakness in the US dollar and concerns around fiat currencies, we had positioned towards assets that should benefit from these concerns. This has played out very well in gold and silver but not yet in cryptocurrencies. Concerns around the AI trade and what that means for the technology sector in general led to weakness in many large technology companies, in our view. This likely acted as a drag on Bitcoin as it continues to be viewed more as a 'risk asset' and the negative sentiment caught up with it. We continue to track this sector, and while we haven't exited it, we haven't added either. It currently sits as a 3% weight in the portfolio. If risk assets do experience a rally into year-end Bitcoin should benefit, at that point we will reassess our position.

Greg Taylor, CFA  
December 10, 2025

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<sup>1</sup> All Pender performance data points are for Class F of the Fund unless otherwise stated. Other classes are available. Fees and performance may differ in those other classes. Standard Performance Information for Pender's Liquid Alternative Funds may be found here: <https://penderfund.com/fund/pender-alternative-select-equity-fund/>