

## Manager's Commentary

Emily Wheeler

The class F units of the Pender Bond Universe Fund were up 1.3% over the quarter and 8.0%<sup>1</sup> for the year, making 2025 the Fund's best year on record since inception in 2020. In Q4, the class F units outperformed their benchmark by 1.6% for the quarter and 5.4% on a full year basis.

Strength in Q4 came from stand-alone credits including **First Majestic Silver Corp., Esperion Therapeutics, Inc.** and **Endeavour Silver Corp.** along with our Pender Corporate Bond Fund holdings which were up 3.7% over the quarter.

### Economic Backdrop

Canadian CPI slowed in October and, as it has for about a year, currently sits close to the 2% target rate. The Bank of Canada said they expect economic slack to approximately offset inflation and therefore left rates unchanged in December. Aside from a drop in the front end of the Canadian Sovereign curve (1 year and below), rates moved higher further out in Q4. In the US on the other hand, the Fed suggested slower job gains and elevated unemployment are outweighing the risk of inflation currently and cut rates by 25 bpts in the final month of 2025. The Treasury curve moved lower in the front end and higher in tenors above 6 years. As a result, longer dated lines held were somewhat weaker over the period.

### Duration Positioning

Several factors which are generally supportive of the argument for extending duration currently exist. We have a term premium as high as it's been in a decade, a rate cut environment north and south of the border and weaker employment numbers in general. On the other hand, as of this writing, silver is trading at \$80 an ounce and Japanese 30 year yields continue to move higher in the face of years of rate suppression, both of which possibly signal the market's expectation for higher inflation longer term. Given these opposing factors, we have not extended duration this period and are more or less focused on the 3-5 year portion of the curve with a reasonable weight in inflation-linked securities.

Our directly held inflation-linked weight represents approximately 5% of the portfolio and is made up of two shorter dated Canadian Real Return Bonds and one US 2052 TIPS line. Although not key return drivers over the last year, a quick study of the inflation linked curves in Canada and the US reflect a return experience in 2025 that favored the shorter dated lines of which we have a bias in the Fund.

### New to the Portfolio

In December we cycled out of our existing **Trulieve Cannabis Corp.**'s 8% of 2026 first lien bonds, which were called, into the company's new first lien issue, which pays a 10.5% coupon and matures in 2030. Notwithstanding the higher coupon, we believe the credit fundamentals of Trulieve have improved of late. First lien debt has been reduced by more than 50% and the company's annual free cash flow now exceeds total debt. In addition, the recent US government move to re-classify marijuana as a lower risk Schedule III drug will, in our view, bring significant

<sup>1</sup> 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 Fixed Income Funds may be found here: <https://penderfund.com/fund/pender-bond-universe-fund/>

economic benefits to Trulieve, as the company will now be able to fully deduct business expenses in its tax return, netting the company over \$100 million annually.

Also in December, we participated in Endeavour Silver's 0.25%'31 convertible bond issuance. Endeavour is in active development of the Pitarrilla project in Mexico, one of the world's largest undeveloped silver deposits. We like the fundamentals of the silver market, which has an attractive supply and demand backdrop and note silver's undervaluation versus gold on a historic basis. With an NPV5% in the billions for the company's combined portfolio of projects versus approximately \$460 million in debt post closing (prior to debt repayments), we're comfortable with the credit coverage in this picture. Moreover, we consider the conversion feature to provide cheap optionality against Endeavour's undervalued stock.

### **Additional Portfolio Highlights**

During the quarter, First Majestic announced a transaction to refinance the 0.375%'27 convert we hold into a 0.125%'31. Given we preferred to keep the lower strike option of the two, we did not participate. On the back of silver moving 54% higher in Q4, First Majestic's share price moved through that strike over the period resulting in a convert price 17 points higher compared to September 30. As previously suggested, we continue to like this space for the following reasons. The gold to silver ratio remains above the long-term average thereby favoring silver relatively speaking. In addition, supply is in a deficit with no significant additions to production coming online versus a demand picture that's increasing. Silver is highly conductive and with no comparable alternative, demand has been increasing from areas including nuclear energy production, EV manufacture and the data center infrastructure required for artificial intelligence. We started buying these converts in June at \$97 and they closed the quarter at \$123 making this line one of the Fund's top performers this period.

### **Fund Positioning**

High yield spreads remain tight versus history. In the Non-Investment Grade portion of the portfolio however, we continue to find idiosyncratic opportunities and add to high conviction lines that, in our opinion, have the potential to relatively outperform. Again this quarter, we had some stand-out performers here. Despite solid returns in many of these lines, individual weights and the overall Non-Investment Grade portion of the Fund haven't increased materially as the Fund itself has been growing. Non-IG accounted for 23.3% of the Fund at December 31, 2025. The yield to maturity of the Fund was 3.6% and duration ended the year at 4.5.

2025 was a great year for the Pender Bond Universe Fund and we wanted to take this opportunity to thank you very much for your continued support.

All the very best in 2026.

Emily Wheeler, CFA  
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