

## Manager's Commentary

Parul Garg

Dear Investors

Thank you for your continued partnership in the Pender Credit Opportunities Fund. As of December 31st, 2025, the Fund was up 13.7%<sup>1</sup> (net of all expenses and fees) for the year. Over the same period, the benchmark returned 7.3%. In this letter, we will review the key contributors and detractors and then share our outlook and the opportunities that are attractive to us in 2026.

### 2025 in Review

This past year was a whirlwind. In just a few months, the market landscape shifted dramatically after the “Liberation Day” announcement. Then came DOGE, rising tensions in the Middle East, the “Big Beautiful Bill”, the Fed, and nonstop developments in artificial intelligence (AI). Markets went through a sharp sell-off followed by an even sharper recovery. It’s hard to believe all of this happened in a single year.

The Fund began the year on a difficult footing, with first and second quarter declines of -1.4% and -6.0%. During that period, we stayed true to our investment process and used the volatility to buy deeply discounted bonds. Many of those purchases have performed well since we bought them, and several have grown into core holdings.

### 2025 Top Winners

**Beyond Meat Inc. (BYND):** Our largest contributor this year was Beyond Meat, a pioneer in plant-based protein best known for the Beyond Burger. The company went through a difficult period. Cash burn increased, liquidity tightened, and the company faced a large \$1.15 billion debt maturity in 2027. To stabilize the business, the company worked with us and other members of the steering committee and completed an out-of-court debt-for-equity exchange. This transaction reduced the company’s balance-sheet debt by roughly 90%. The market responded positively to the deal, and we were able to exit our position at a gain of more than 3x our investment.

**Esperion Therapeutics Inc. (ESPR):** Esperion develops non-statin cholesterol therapies. At the start of the year, we forecast 2025 sales above \$400 million and, using a conservative 3x sales multiple plus roughly \$144 million of cash, estimated fair value of over \$1.2 billion. We see several positive catalysts, including a likely path to approval in Japan and a patent runway extending to 2040 through agreements with generic manufacturers. We own both the convertible bonds and the equity; the bonds are up about 40% and the equity is up more than 150%. We remain invested given the still-attractive valuation, improving prescription momentum, international expansion, and potential M&A interest.

**Fluence Energy Inc. (FLNC):** Fluence, our grid-scale battery storage holding, has rebounded sharply from multi-year lows, supported by rising AI-driven power demand and the grid’s growing constraints. Our Fluence convertibles are up about 100% YTD, and we have taken profits on roughly one-third of the position. We remain constructive given the company’s record backlog (over \$5

<sup>1</sup> All Pender performance data points are for Class F of the funds. Other classes are available. Fees and performance may differ in those other classes.

billion) and what we expect to be a growing pipeline as data centers expand and utilities seek storage solutions to strengthen the grid.

**Other smaller winners:** We also saw strong gains in a few smaller positions. Argentina sovereign USD bonds rallied by as much as 36% after mid-term election results were viewed as supportive of President Javier Milei's party. Luminar Technologies bonds rose by more than 20 points after the company announced planned asset sales as part of a court-supervised liquidation process.

### 2025 Top Detractors

**New Fortress Energy Inc. (NFE):** Rapid, debt-funded expansion (over \$8.9 billion) has put pressure on the balance sheet, and bonds trading in the 20s reflect a high restructuring risk. We still like the position because NFE owns hard-to-replace LNG infrastructure and has proven asset value (including a ~\$4.5 billion Puerto Rico contract). Even in a restructuring, we expect strong first-lien recoveries with potential equity upside. In our view, the market is pricing bankruptcy as a certainty, despite valuable assets, meaningful insider ownership (~40%), and improving cash-flow potential.

**Cardlytics Inc. (CDLX):** Our distressed convertible notes position fell over 15% after Cardlytics reported lower volumes from a major bank partner. Cardlytics delivers targeted offers inside banking apps through partnerships with leading US financial institutions. Despite the setback, we remain constructive, particularly ahead of the planned American Express partnership in 2025, which could lift revenue and cash flow. We added to this position in November. The bonds trade below \$0.45 on the dollar and yield over 30%, which we believe reflects overly pessimistic expectations.

**Spirit Airlines Inc. (SAVEQ):** We exited in early October at loss of more than 50% after Spirit filed for Chapter 11 on August 29, its second filing in six months, following an aircraft lease default. We believe lessors acted partly to block future aircraft deliveries. Despite underlying franchise value, low operating visibility and limited odds of a standalone recovery led us to exit for risk management.

### Reflections

Looking back on the year, I'm reminded of George Soros's words: "It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong". Of course, it's always best when the original investment thesis plays out and you don't have to sell. But when the margin of safety erodes more than expected, it is often better to cut back exposure. That was one of our key lessons from 2025. We experienced large losses in a couple of issuers (more than 70%), but our position-sizing discipline helped limit the damage, especially in cases like Spirit and New Fortress Energy. At the same time, we let our high-conviction positions Esperion, Fluence, Viasat, and Lucid run and generate meaningful gains. We did this through constant monitoring, staying close to the fundamentals, and adjusting profit targets as the thesis evolved.

### 2026 Outlook

We're excited about 2026. We believe the opportunity set for our investment style and philosophy is deeper and broader than it has been in some time even with major market indices sitting near record highs and valuations remaining above normal. At the same time, the market feels familiar: greed, impatience and hubris. Against that backdrop, we think we are well positioned. The portfolio combines a group of high-conviction holdings with many priced at yields above 15% and meaningful dry powder to deploy as opportunities arise. Uncertainty is already building. Questions around US policy direction, international relations, and tensions over Federal Reserve independence could all create volatility. We are also seeing risks in areas where credit weakness is not always reflected in prices especially in opaque private credit marks, where problems can be recognized too late. Finally, the AI boom is increasingly showing signs of excess. We do not doubt AI's long-term potential.

Progress may accelerate and lead to new use cases we can't yet imagine. From an investor's perspective, there are still major unknowns. One key question is whether the leading companies will be able to earn attractive returns on the massive capital spending required for computing power and infrastructure.

### On High Conviction Names

**Wolfspeed Inc. (WOLF):** The only scaled US producer of silicon carbide wafers. Heavy expansion spending led to cash-flow pressure and a 2025 filing, but the company emerged from a pre-packaged Chapter 11 (filed June 30, 2025; emerged October 1) with a stronger balance sheet (~\$1.3 billion gross debt, ~\$800 million net debt). Alongside other creditors and Renesas, we are converting our claims into an 80%+ equity stake, and the position is up 50%+ from Q2 levels. The restructuring implies an enterprise value of ~\$2.5 billion versus a prior \$8–10 billion peak, with a reported \$12 billion backlog. As production ramps, we project \$2.5–3.0 billion of FY2028 revenue; at 3x EV/Sales, that suggests \$7.5–9.0 billion of potential equity value and recoveries well above par. We see additional tailwinds from AI-related demand for silicon carbide, potential trade support, and possible US government involvement making Wolfspeed a key potential driver of 2026 returns.

**McDermott International Ltd (MCDIF):** A post-restructuring offshore engineering and construction firm that has only recently resumed public financial reporting. We have followed the company for five years, and a recent visit to its Houston headquarters reinforced our conviction. The equity is up 100%+ from the lows and 35%+ above our cost on stronger execution and improving fundamentals. We continue to hold because we believe the shares remain meaningfully undervalued relative to its ~\$20 billion backlog, with potential for further re-rating into 2026. Since our initial investment in 2019, management has worked through legacy loss-making fixed-price projects, shifted new awards toward more attractive cost-plus structures, and reduced capital tied up in letters of credit which supported improved earnings momentum and investor confidence.

**Healthcare Sector:** We view US healthcare as one of the most undervalued areas of the market today, even though many investors avoid it because of regulation, reimbursement, and utilization complexity. That complexity is exactly where our process and credit work can create an edge. The sector reached multi-decade relative valuation lows this year, and with lower economic sensitivity and attractive starting valuations, we believe healthcare can improve the portfolio's resilience.

On the process side, our main work is straightforward: we do deep, bottom-up research on each company, compare our view of its future to the current market price, and build the portfolio to generate strong long-term returns. When we construct the portfolio, we consider a wide range of possible outcomes and not just one "base case." Our goal is to create a portfolio that can hold up in a tough environment while still having meaningful upside when conditions are favorable. We think about risk and return through two lenses: fundamentals (earnings and cash flow) and valuation (what the market already expects). When both fundamentals and expectations are depressed, that's when we believe it makes sense to be more aggressive and lean into opportunities.

With the Fund approaching its one-year anniversary (and about 2.5 years for the strategy), we are very pleased with the results so far. As the Fund grows through performance and new investors, we remain grateful for the important role each of you have played in its success.

We are looking forward to how 2026 will unfold for our portfolio!

Thank You,

**Parul Garg**

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