

Manager's Commentary

David Barr

As the curtain falls upon 2025, markets bow following their final act—with the assurance that, no matter how winding the plot, *our revels now are ended*. The year unfolded largely as optimists had hoped. Expectations were surpassed, resilience was tested and proven, and investors were broadly rewarded. Yet in such moments, the desire for an encore grows loud—one more act before the lights are dimmed and the stage is cleared. As Shakespeare warned, “*Wisely and slow; they stumble that run fast.*”

The year was filled with scenes of temptation, none more prominent than the enthusiasm surrounding artificial intelligence. Capital flowed rapidly into the space, narratives grew louder, and market leadership narrowed as investors crowded into a small number of perceived winners. While the transformative potential of AI is undeniable, the speed and concentration of gains inevitably invited comparisons to earlier periods of excess, including the dot-com era.

That said, from our perspective, we remain in the opening act of the AI revolution rather than approaching a curtain call. Adoption is still in its early stages, with enterprise use cases and monetization only beginning to scale. This supports a constructive—but selective—stance toward AI-related equities, particularly companies demonstrating real revenue growth, scalable platforms, and exposure to the infrastructure and compute layers underpinning the ecosystem.

While foundational models and cloud infrastructure have dominated headlines to date, the next wave of opportunity is beginning to emerge in areas such as agentic AI and physical AI, including autonomous vehicles, robotics, and AI-enabled industrial automation. Even so, discipline remains critical. To return once more to Shakespeare, “*All that glitters is not gold*”. Our focus remains on distinguishing enduring businesses from passing enthusiasm.

Beyond technology, that metaphor became literal as resources took center stage, with gold among the year's strongest performers. Supported by geopolitical uncertainty, inflation concerns, and renewed interest in real assets, the sector delivered meaningful gains. Yet even here—where value quite literally glitters—the pace of appreciation underscores the importance of selectivity and valuation discipline.

As attention shifts toward the year ahead, international equities increasingly warrant consideration. US equities were not the standout performers of 2025; international outperformance was a largely underappreciated story. While past performance offers no guarantee of future results, and history is filled with examples of actors lingering too long in the spotlight, this play is far from over. We continue to see compelling reasons why international equities could take center stage again in 2026. In contrast to the crowded trades that defined much of 2025, we believe global markets offer a broader opportunity set where fundamentals, balance sheets, and disciplined capital allocation once again take precedence. Emerging market central banks, having strengthened their monetary policy frameworks, now possess greater flexibility to ease policy and stimulate domestic demand, conditions that could support EM equities.

In the coming year, the cast is likely to broaden. Leadership need not remain confined to a narrow set of familiar names or markets, and we believe compelling opportunities will increasingly be found beyond the most crowded stages. By widening our lens, we expand the opportunity to identify businesses where the script is still being written, and where valuation, rather than narrative, drives long-term returns. In that spirit, Shakespeare reminds us:

*All the world's a stage,
And all the men and women merely players.*

Index / Fund	December Return	2025 Return
Pender Global Small/Mid Cap Equity Fund (CAD)	2.2%	-2.2%¹
S&P 500 Index (CAD)	-1.7%	12.6%
Russell 2000 Index (CAD)	-2.3%	7.7%
S&P/TSX Composite (CAD)	1.3%	31.7%

Portfolio weights remained approximately 55.8% Canadian equities and 39.9% US equities at year-end.

Fund specific updates

Top Contributors (2025)	Contribution	Top Detractors (2025)	Contribution
Kraken Robotics Inc. (PNG)	+251.1 bps	Burford Capital Ltd (BUR)	-147.8 bps
Tantalus Systems Holding Inc. (GRID)	+232.2 bps	PAR Technology Corp. (PAR)	-223.3 bps
Ero Copper Corp. (ERO)	+202.9 bps	Dye & Durham Ltd (DND)	-351.2 bps

The Fund's top performers delivered meaningful results and remain core positions, continuing to rank among the top ten holdings. Importantly, each is aligned with key secular themes we expect to come into sharper focus in 2026.

Ero Copper for example is a Brazil-focused copper and gold producer that benefited from strong metals sentiment in 2025, supported by structural demand tied to energy transition, infrastructure investment, and broader supply constraints in copper markets.

On the detractor side, Burford Capital, PAR Technology, and Dye & Durham weighed on performance during the year, primarily due to company-specific execution challenges and elevated near-term investor uncertainty.

Looking at Dye & Durham specifically, 2025 unfolded differently than we had anticipated. Following a year of boardroom turbulence in 2024, Engine Capital successfully won its proxy fight and a new Board of Directors was put in place. At the time we viewed these developments positively given Dye & Durham's potential to generate significant free cash flow and the need for improved capital allocation. However, what we did not anticipate was how 2025 would continue to present challenges rather than resolution. Extended audit delays, heightened regulatory scrutiny, and the initiation of a strategic sale process weighed on investor sentiment throughout the year, contributing to the stock's underperformance and detracting from overall fund results.

While Dye & Durham was not an outcome we anticipated, it is worth noting that the Fund entered 2025 following a particularly strong year in 2024 (up 56.1%), setting a high watermark for performance. We remain confident in the overall composition of the portfolio and in the quality of the businesses we own, even as individual holdings experience periods of unexpected challenge.

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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 the Fund may be found here: <https://penderfund.com/fund/pender-global-small-mid-cap-equity-fund/>

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