

Manager's Commentary

David Barr

The Pender Partners Fund returned 7.0% in January. The Fund's all-cap mandate provides flexibility to pursue mispriced opportunities across market segments and geographies.

| Index / Fund | January Return | 1 Year Return |
|-----------------------------|-------------------|---------------|
| Pender Partners Fund | 7.0% ¹ | 10.3% |
| S&P/TSX Composite (CAD) | 0.8% | 28.3% |

January is always an interesting time of year. Calendars are flipped, resolutions are made, and investors look for signals about what the year ahead may hold. But does a new year truly represent a fresh start for markets, or simply a continuation of existing trends?

Many investors pay close attention to January as a potential leading indicator for the year. The so-called January Barometer suggests that as goes January, so goes the year. Over the last 40 years, when January is positive for the S&P 500, the average full year return is about 15% and is positive 84% of the time. When January is negative, the average full year return is about 2%-3% and is positive just 60% of the time. The S&P 500 was up 0.6% in January 2026.

The appeal of these seasonal indicators is understandable, they offer a simple narrative in an otherwise uncertain world. Momentum often plays a role in market outcomes, and early-year sentiment can influence positioning. That said, we remain cautious about placing too much weight on calendar-based patterns.

After a volatile 2025, investors entered 2026 searching for clarity. Many expected some form of reset following last year's strong rally. A year-end surge had left parts of the market appearing stretched, and there was concern that profit-taking would dominate early trading. That was not the case. January ultimately finished modestly positive, but the headline result masks the underlying volatility. It was one of those months where sentiment swung quickly, leadership rotated, and macro headlines continued to dominate market narratives.

If history is any guide, a positive January may provide comfort to momentum-driven investors. For us at Pender, however, the focus remains unchanged: identifying durable businesses trading at meaningful discounts to intrinsic value, independent of seasonal signals. As we move into 2026, here are several themes we are closely monitoring.

Software Reset and Selective Opportunity: January saw a sharp reset in software equities as investors revisited concerns that artificial intelligence could disrupt traditional business models. The narrative that enterprises will increasingly rely on internally built AI solutions weighed on valuations across the sector. We view this assumption as overly simplistic, given the complexity, regulatory requirements, and mission-critical nature of most enterprise platforms. For

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 the Fund may be found here: <https://penderfund.com/fund/pender-partners-fund/>

disciplined investors, this broad-based pullback has created opportunities to selectively add exposure to durable franchises at more attractive valuations.

Commodities and Capital Rotation: Commodities have been a notable beneficiary of capital rotation, supported by US dollar weakness, central bank buying, and ongoing geopolitical uncertainty. Gold and silver reached record levels during the month, lifting related equities. While momentum has been powerful, we remain focused on companies capable of generating attractive returns across the cycle rather than relying solely on rising commodity prices. As is often the case when price moves become parabolic, some consolidation followed into month-end. We view this pullback as a natural reset rather than a structural shift, and potentially an opportunity, at least until the underlying macro drivers begin to reverse.

Federal Reserve Outlook and Policy Transition: While we now have greater clarity on the next FOMC Chair, uncertainty remains elevated. At the same time, comments from President Trump in Davos predicting further stock market gains are notable. Volatility is likely to persist, but in such an environment, the strategy of selectively buying dislocations remains viable.

IPO Market Revival and Capital Access: After something of a rebound in 2025, the IPO market enters 2026 with momentum, featuring several potential high-profile listings. This comes after an increase in activity in Q3 and Q4 of 2025, despite prior pauses earlier in the year.

| Top Contributors (2026) | Contribution |
|-------------------------------------|--------------|
| Pender Small Cap Opportunities Fund | 231.4bps |
| NexGen Energy Ltd (NXE) | 184.9 bps |
| Ero Copper Corp. (ERO) | 56.6 bps |

As of month end, the portfolio comprised of 35 holdings with a 47.8% exposure to US equities and 40.9% exposure to Canadian equities.

In January 2026, it was reassuring to see that our strongest contributor was our ownership of the **Pender Small Cap Opportunities Fund**, reinforcing our conviction in underfollowed, high-quality small-cap businesses. **NexGen** and **Ero Copper** remain top holdings where our investment theses remain intact.

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February 23, 2026