

# **Pender US Small/Mid Cap Equity Fund**

For the year ended December 31, 2025

Annual Management Report of Fund Performance

This annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the annual financial statements at your request, at no cost, by calling toll-free 1-866-377-4743, by writing to us at 1830 - 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by visiting our website at [www.penderfund.com](http://www.penderfund.com) or the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca).

You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

# Pender US Small/Mid Cap Equity Fund

For the year ended December 31, 2025

---

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The objective of the Pender US Small/Mid Cap Equity Fund (the “Fund”) is to achieve capital growth over the long-term by investing primarily in U.S. securities. The Fund will focus on businesses with securities that trade at favourable prices and have the potential to compound value over the long term by reinvesting capital without taking on undue business or balance sheet risk. The Fund will primarily invest in small and mid-cap companies in the U.S.

PenderFund Capital Management Ltd. (“Pender”) is the Manager and Portfolio Advisor of the Fund.

### Risks

The risks of investing in the Fund are outlined in the Simplified Prospectus dated June 27, 2025. There were no significant changes to the Fund’s objectives and strategies that affected its overall level of risk during the year.

The nature of the Fund’s investing activities exposes it to various risks, including but not limited to inflation and the impact of central bank measures on the economy, the state of M&A markets, geopolitical and other global events, factors that are beyond the Fund’s control.

Future developments in these challenging areas could impact the Fund’s results and financial condition and the full extent of that impact remains unknown. Developing reliable estimates and applying judgment continue to be substantially complex. Actual results may differ from those estimates and assumptions.

### Results of Operations

The net assets of the Fund were \$1,425,710 as at December 31, 2025 versus \$277,497 as at December 31, 2024. Of this \$1,148,213 increase, \$208,628 is attributable to positive investment performance and \$939,585 is attributable to net unitholder purchases of Fund units.

For the year ended December 31, 2025, Class A units of the Fund generated a total return of 12.7%. Returns for other classes of the Fund will be similar to Class A with any difference in performance being primarily due to the different management fees that are applicable to different classes. Please see the “Past Performance” section for the performance of the Fund’s other classes.

The Fund’s broad-based benchmark, the S&P Mid Cap 400 TR (CAD), returned 2.5% during the year. In accordance with National Instrument 81-106, we have included a comparison to this broad-based index to help you understand the Fund’s performance relative to the general performance of the market, but we caution that the Fund’s mandate may be significantly different from the benchmark. Further, the Fund’s returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund’s benchmark, which are based on the performance of an index that does not pay fees or incur expenses.

As at the end of the year, the Fund was 96.6% invested in the United States, other assets less liabilities were 0.1% and the Fund’s cash position was 3.3%. The Fund’s investment portfolio is concentrated and not diversified in the conventional sense. The Fund’s top 10 holdings account for 38.6% of the Fund’s net assets at the end of the period. This concentration may lead to varied results over any given period.

The overall sector exposure of the Fund is determined by stock selection decisions and may shift from time to time. As at December 31, 2025 we were weighted toward holdings in the Industrials, Information Technology, and Financial Services sectors because, currently, those are the sectors where we believe we are finding the best investment opportunities and, equally important, because they contain businesses for which we are best equipped to assess value. These top three sectors accounted for 51.0% of the Fund at the end of the year.

The following comments and the comments under “Recent Developments” reflect the views of the portfolio management team and are based on information as at the end of the year. Please read the caution regarding forward looking statements located on the last page of this document.

The Fund’s outperformance relative to its benchmark was mainly due to an overweight in the Consumer Staples sector and an underweight in the Materials sector. We do not actively manage sector weights in the Fund, rather, our sector weightings are determined by individual stock selection through bottom-up fundamental investment process. We seek to own stocks where our estimated range for the long-term intrinsic value of the business is higher than the current share price.

Key positive individual contributors to the Fund’s performance during the year included Ero Copper Corp. and Rambus Inc. Conversely, Molina Healthcare Inc. and Tidewater Inc. were among the largest detractors.

# Pender US Small/Mid Cap Equity Fund

For the year ended December 31, 2025

---

Portfolio transactions during the year were made based on our stock selection process. In general, we increased the weightings of individual stocks where we determined the price relative to our estimate of intrinsic value had increased and decreased the weightings of companies that offered a less attractive return profile. We are constantly looking for new investment ideas and examples of new investments during the year included Deckers Outdoor Corp. and Evercore Inc. We may liquidate our positions for various reasons, such as when share prices have reached our assessment of fair value, when an acquisition has occurred, or where we have changed our investment thesis. For example, during the year, we sold our position in Molina Healthcare Inc.

## Recent Developments

Equity markets delivered solid performance in 2025, though not without periods of volatility. 2025 was shaped by a resilient economy, evolving policy dynamics, and rapid technological innovation, offset against elevated valuations and geopolitical uncertainty. The bull market that began in late 2022 is now entering its fourth year, during which large-cap equities have delivered strong returns, with the S&P 500 posting a three-year annualized return of approximately 21%. By comparison, small and mid-cap stocks have lagged, with the S&P SmallCap 600 and S&P MidCap 400 generating annualized returns of 10.2% and 12.5%, respectively.

Looking to 2026, US equity markets appear to be at an inflection point. Small-cap valuations remain reasonable, and the case for mean reversion relative to large-caps remains compelling. Small-caps have also only recently emerged from an earnings recession that lasted more than two years as profit margins normalized from the Covid-19 era bump. Looking ahead, the return to earnings growth, particularly growth expected to outpace large-caps, could be a key catalyst for sustained outperformance in 2026.

Against this backdrop, we remain constructively bullish on the US small and mid-cap opportunity set. Market leadership has become increasingly concentrated leaving the large-cap market more vulnerable to volatility should sentiment or fundamentals shift. While artificial intelligence (“AI”) remains a powerful secular theme, its growing share of market capitalization reinforces the importance of active stock selection, particularly as capital intensity rises and valuation dispersion widens.

We expect market volatility, driven by headlines, to persist throughout the remainder of 2026. We also anticipate a more challenging macro backdrop. Against this we are focused on the fundamentals and continue to identify opportunities with attractive risk-reward profiles in high quality businesses that are well positioned to navigate uncertainty. We remain vigilant in our analysis to identify trends that align with how the world is evolving. We continue to manage a concentrated portfolio of investments, only needing to hold a relatively small number of great companies purchased at reasonable prices to drive the performance of the Fund.

## ***Independent Review Committee (“IRC”) Appointments & Resignations***

Effective March 12, 2026, Robin Mahood stepped down from the Independent Review Committee and Natascha Kiernan joined the Independent Review Committee.

## Related Party Transactions

The Fund pays management and administration fees to the Manager for management and portfolio advisory services (see “Management and Administration Fees”).

As at the end of the year, parties related to the Manager collectively held 37% of the Fund’s units.

## Management and Administration Fees

The Fund pays management and administration fees calculated as a percentage of the net asset value of each respective class. The Management Expense Ratio (“MER”) before applicable taxes such as GST or HST for each class does not exceed certain levels as set out in the Fund’s offering documents. The fees are calculated at the close of business on each valuation day and are paid monthly. In exchange for the administration fee, the Manager pays the operating costs of the Fund.

Management fees are used by the Manager, in part, to pay sales commissions, trailer fees, marketing costs and other associated distribution costs relating to the sale of units of the Fund. Such expenses represented approximately 17% of the management fees paid by the Fund to the Manager for the year.

# Pender US Small/Mid Cap Equity Fund

For the year ended December 31, 2025

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the calendar years indicated.

### Fund's Net Assets Per Unit (a)

	2025 (\$)	2024 (\$)
<b>Class A</b>		
Net Assets, beginning of year/period	9.70	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.11	0.02
Total expenses	(0.02)	-
Realized gains (losses)	0.16	-
Unrealized gains (losses)	1.49	(0.31)
<b>Total increase (decrease) from operations (b)</b>	<b>1.74</b>	<b>(0.29)</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.07)	(0.01)
From dividends	-	-
From capital gains	(0.20)	-
Return of capital	-	-
<b>Total distributions (b), (c)</b>	<b>(0.27)</b>	<b>(0.01)</b>
<b>Net Assets, end of year/period</b>	<b>10.66</b>	<b>9.70</b>
<b>Class E</b>		
Net Assets, beginning of year/period	9.70	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.11	0.02
Total expenses	(0.02)	-
Realized gains (losses)	0.40	0.01
Unrealized gains (losses)	2.24	(0.33)
<b>Total increase (decrease) from operations (b)</b>	<b>2.73</b>	<b>(0.30)</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.07)	(0.01)
From dividends	-	-
From capital gains	(0.20)	-
Return of capital	-	-
<b>Total distributions (b), (c)</b>	<b>(0.27)</b>	<b>(0.01)</b>
<b>Net Assets, end of year/period</b>	<b>10.67</b>	<b>9.70</b>

# Pender US Small/Mid Cap Equity Fund

For the year ended December 31, 2025

## Fund's Net Assets Per Unit (a) (cont'd)

	2025 (\$)	2024 (\$)
<b>Class F</b>		
Net Assets, beginning of year/period	9.70	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.11	0.02
Total expenses	(0.02)	-
Realized gains (losses)	(0.01)	0.01
Unrealized gains (losses)	0.78	(0.38)
<b>Total increase (decrease) from operations (b)</b>	<b>0.86</b>	<b>(0.35)</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.07)	(0.01)
From dividends	-	-
From capital gains	(0.20)	-
Return of capital	-	-
<b>Total distributions (b), (c)</b>	<b>(0.27)</b>	<b>(0.01)</b>
<b>Net Assets, end of year/period</b>	<b>10.66</b>	<b>9.70</b>
<b>Class O</b>		
Net Assets, beginning of year/period	9.70	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.10	0.02
Total expenses	(0.02)	-
Realized gains (losses)	0.08	-
Unrealized gains (losses)	1.08	(0.31)
<b>Total increase (decrease) from operations (b)</b>	<b>1.24</b>	<b>(0.29)</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.07)	(0.01)
From dividends	-	-
From capital gains	(0.20)	-
Return of capital	-	-
<b>Total distributions (b), (c)</b>	<b>(0.27)</b>	<b>(0.01)</b>
<b>Net Assets, end of year/period</b>	<b>10.67</b>	<b>9.70</b>

(a) This information is derived from the Fund's audited annual financial statements as at December 31 for the year stated, prepared under IFRS Accounting Standards.

(b) Net assets per unit and distributions per unit are based on the actual number of units for the relevant Fund class outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding during the year.

(c) Distributions were paid in cash and/or reinvested in additional units of the Fund.

## Ratios and Supplemental Data

	2025	2024
<b>Class A</b>		
Total net asset value (\$000s) (a)	68	5
Number of units outstanding (a)	6,354	500
Management expense ratio (b)	0.00%	0.00%
Management expense ratio before absorptions (c)	2.27%	2.37%
Trading expense ratio (d)	0.05%	0.35%
Portfolio turnover rate (e)	48.02%	1.18%
Net asset value per unit (\$) (a)	10.66	9.70

# Pender US Small/Mid Cap Equity Fund

For the year ended December 31, 2025

## Ratios and Supplemental Data (cont'd)

	2025	2024
<b>Class E</b>		
Total net asset value (\$000s) (a)	864	116
Number of units outstanding (a)	80,962	11,949
Management expense ratio (b)	0.00%	0.00%
Management expense ratio before absorptions (c)	0.32%	0.33%
Trading expense ratio (d)	0.05%	0.35%
Portfolio turnover rate (e)	48.02%	1.18%
Net asset value per unit (\$) (a)	10.67	9.70
<b>Class F</b>		
Total net asset value (\$000s) (a)	346	26
Number of units outstanding (a)	32,479	2,638
Management expense ratio (b)	0.00%	0.00%
Management expense ratio before absorptions (c)	1.21%	1.28%
Trading expense ratio (d)	0.05%	0.35%
Portfolio turnover rate (e)	48.02%	1.18%
Net asset value per unit (\$) (a)	10.66	9.70
<b>Class O</b>		
Total net asset value (\$000s) (a)	148	131
Number of units outstanding (a)	13,860	13,512
Management expense ratio (b)	0.00%	0.00%
Management expense ratio before absorptions (c)	0.00%	0.00%
Trading expense ratio (d)	0.05%	0.35%
Portfolio turnover rate (e)	48.02%	1.18%
Net asset value per unit (\$) (a)	10.67	9.70

(a) This information is derived from the Fund's audited annual financial statements as at December 31 for the year stated, prepared under IFRS Accounting Standards.

(b) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the year and is expressed as an annualized percentage of daily average net asset value during the year. The MER may vary from one class of units to another because of differences in the applicable management fees and certain fees and expenses may have been absorbed by the Manager which would otherwise be paid by the Fund.

(c) The Manager of the Fund has agreed to absorb sufficient expenses of the Fund, as necessary, so that the annual MER before applicable taxes such as GST or HST will not exceed certain limits as outlined in the Fund's Simplified Prospectus. The amount of expenses absorbed is at the discretion of the Manager as set out in the Fund's Simplified Prospectus, and the Manager may in its sole discretion cease to absorb expenses.

(d) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year.

(e) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. In general, the higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

# Pender US Small/Mid Cap Equity Fund

For the year ended December 31, 2025

---

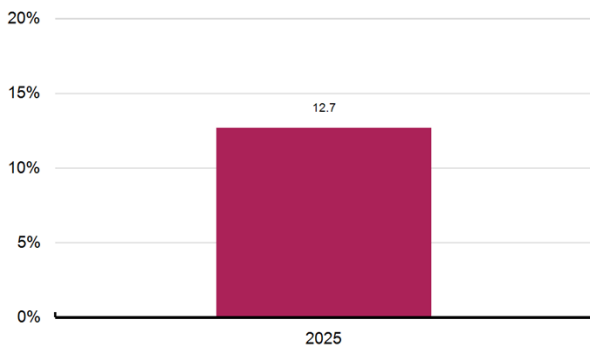
## Past Performance

The following charts show the past performance for the units of each class of the Fund and do not necessarily indicate how the Fund will perform in the future. The information shown assumes that any distributions made by the Fund were reinvested in additional units of the Fund. Returns would be different if an investor did not reinvest distributions. In addition, the information does not take into account sales, redemptions, income taxes payable or other charges that would have reduced returns or performance.

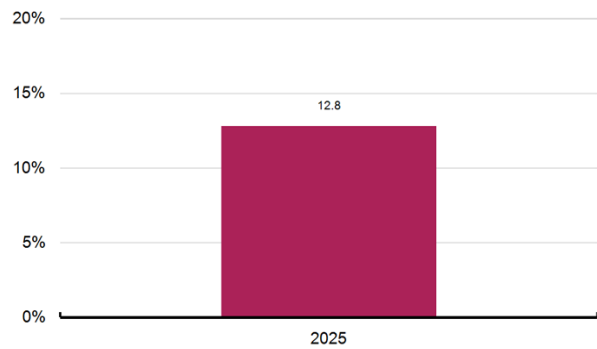
## Year-by-Year Returns

To illustrate how the Fund's performance has varied over time, the following bar charts show the Fund's annual returns for the calendar years indicated. The information is presented starting from the first full financial year of the respective Fund class. In percentage terms, the bar charts show how much an investment held on the first day of the year would have increased or decreased by the last day of the year.

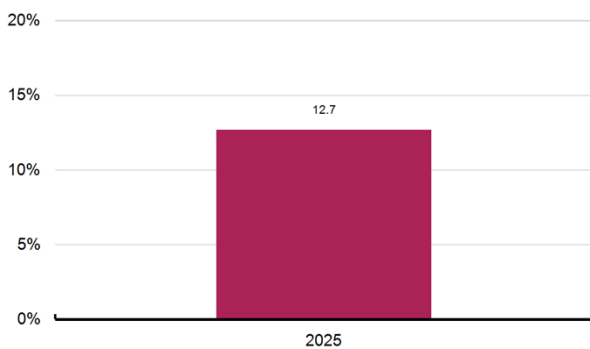
**Class A**



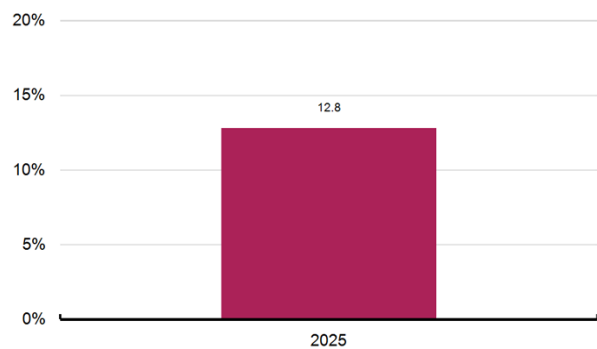
**Class E**



**Class F**



**Class O**



# Pender US Small/Mid Cap Equity Fund

For the year ended December 31, 2025

---

## Annual Compound Returns

The annual compound returns table compares the Fund's performance to one or more benchmarks. Benchmarks are usually an index or a composite of more than one index. An index is generally made up of a group of securities. Since the Fund does not necessarily invest in the same securities as an index or in the same proportion, the Fund's performance is not expected to equal the performance of the index. Fund returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund's benchmark, which are based on the performance of an index that does not pay fees or incur expenses. It may be more helpful to compare the Fund's performance to that of other mutual funds with similar objectives and investment strategies.

The Fund's broad-based benchmark is S&P Mid Cap 400 TR (CAD). The S&P Mid Cap 400 TR (CAD) provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.

A discussion of the performance of the Fund as compared to its benchmarks is found in the "Results of Operations" section of this report.

	Inception Date	1 Year (%)	Since Inception (%)
Class A	29-Nov-24	12.7	8.7
S&P Mid Cap 400 TR (CAD)		2.5	(2.3)
Class E	29-Nov-24	12.8	8.7
S&P Mid Cap 400 TR (CAD)		2.5	(2.3)
Class F	29-Nov-24	12.7	8.7
S&P Mid Cap 400 TR (CAD)		2.5	(2.3)
Class O	29-Nov-24	12.8	8.7
S&P Mid Cap 400 TR (CAD)		2.5	(2.3)

# Pender US Small/Mid Cap Equity Fund

For the year ended December 31, 2025

## Summary of Investment Portfolio

The largest holdings of the Fund as at the end of the year and the major asset classes in which the Fund was invested are indicated below. Where the Fund has less than 25 holdings, the table will show the Fund's entire investment portfolio. The investment portfolio may change due to ongoing portfolio transactions. An update of the Fund's summary of investment portfolio as at the end of each calendar quarter is available from the Manager. Please see the front page of this document for information about how this can be obtained.

### Top 25 Holdings

	% of Net Assets
DigitalBridge Group Inc.	4.7
Jabil Inc.	4.1
Dollar Tree Inc.	3.9
Webster Financial Corp.	3.9
Ero Copper Corp.	3.8
Deckers Outdoor Corp.	3.7
Genpact Ltd.	3.7
Hexcel Corp.	3.7
Estée Lauder Companies Inc., Class 'A' (The)	3.6
Markel Corp.	3.5
Mercury General Corp.	3.5
International Flavors & Fragrances Inc.	3.3
Brookfield Business Partners L.P.	3.2
Euronet Worldwide, Inc.	3.2
VeriSign Inc.	3.2
Addus HomeCare Corp.	3.1
Fidelity National Financial Inc.	3.1
Itron Inc.	3.0
Copa Holdings SA, Class 'A'	2.9
Microchip Technology Inc.	2.9
Booz Allen Hamilton Holding Corp.	2.8
Fluor Corp.	2.8
Antero Resources Corp.	2.7
Maplebear Inc.	2.6
StandardAero Inc.	2.6

# Pender US Small/Mid Cap Equity Fund

For the year ended December 31, 2025

## Composition of the Portfolio

	% of Net Assets
<b>Equities</b>	
Industrials	23.9
Information technology	15.2
Financial services	11.9
Insurance	10.3
Consumer staples	10.1
Materials	7.1
Consumer discretionary	6.0
Health care	5.5
Banks	3.9
Energy	2.7
<b>Total equities</b>	<b>96.6</b>
<b>Total investments</b>	<b>96.6</b>
Cash (Bank overdraft)	3.3
Other assets less liabilities	0.1
<b>Total net assets</b>	<b>100.0</b>

# Pender US Small/Mid Cap Equity Fund

For the year ended December 31, 2025

---

## **Caution Regarding Forward-Looking Statements**

This report contains forward-looking statements about the Fund, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies or prospects, and possible future Fund action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Fund and economic factors, among other things.

Forward-looking statements are not a guarantee of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these digressions, including, but not limited to: geopolitical events, general economic conditions, political and market factors around the world; interest rates and inflation; fiscal and monetary policy; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings; catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, except as may be required under applicable law, the Manager has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.



**Pender US Small/Mid Cap Equity Fund**

MANAGED BY:  
PENDERFUND CAPITAL MANAGEMENT LTD.  
1830 - 1066 West Hastings St. Vancouver, BC V6E 3X2  
TELEPHONE 604 688-1511 FACSIMILE 604 563-3199 TOLL FREE 1 866 377-4743  
[www.penderfund.com](http://www.penderfund.com)