

Manager's Commentary

Parul Garg

Dear Co-investors,

Thank you for your continued partnership in the Pender Credit Opportunities Fund. In this quarter's letter, we will share our perspective on the opportunistic themes we are seeing ahead and also provide a closer look on a few of the high conviction, individual credits we hold.

Fund at a Glance (since inception)

- Pender Credit Opportunities Fund returned -0.1%¹ for the quarter; the Fund's benchmark returned -0.5%² for the same period.
- Portfolio's Yield to Maturity: 6.91%; Portfolio's Current Yield: 4.87%

Investing Through Uncertainty

The first quarter of 2026 saw a challenging mix of macro, geopolitical, and policy pressures: sticky inflation, a softening labour market, stretched large-cap valuations, and weakening consumer confidence. The Federal Reserve held the funds rate at 3.50–3.75%, the yield curve steepened, and the 10-year Treasury ended the quarter at 4.38% — reflecting rate expectations and rising fiscal concerns.

The key shock came on February 28, when US and Israeli military operations against Iran began and triggered a broad repricing across risk assets. Traditional safe havens offered no shelter — Treasuries sold off as markets priced in higher deficits and energy-driven inflation, while gold fell 11.6% and silver 19.9% through March.

The Fund is marked to market, and we acknowledge the short-term volatility that entails. However, we draw a firm distinction between mark-to-market fluctuation and investment risk. In dislocated markets, these diverge most sharply — and most usefully — for disciplined buyers.

The Q1 dislocation has expanded our actionable universe. Through the second half of 2025, tight credit spreads and strong risk appetite compressed yields across our target universe, limiting the double-digit opportunities that met our quality threshold. That constraint has lifted. We are turning over substantially more rocks than at any point in recent quarters. **Volatility is the price of admission to this asset class.** In Q1, it also became the source of some of our best opportunities. We are adding with conviction.

Opportunistic Themes

It was an active quarter for new idea generation with three new purchases and with additions to existing names to build out our positions at lower costs. In this letter, we outline three key themes in today's credit landscape where we see attractive risk-reward:

¹ All Pender performance data points are for Class F of the Fund unless otherwise stated. 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-credit-opportunities-fund/>

² ICE BofA US High Yield TR

Beneficiaries of AI capex

The top five US hyperscalers are projected to invest \$736 billion in data centre capex in 2025–2026 alone, with Goldman Sachs forecasting global data centre power demand to surge 165–175% by 2030³. Whether every dollar of AI capex earns a return is a debate for equity markets. What is not debatable are two infrastructure bottlenecks — power delivery and power conversion — that must be resolved regardless of which AI models ultimately win.

On power delivery, Goldman Sachs estimates \$720 billion in grid investment will be required through 2030, with US utilities needing \$50 billion in new generation capacity for data centres alone³. Traditional grid expansion cannot move at the pace required. Battery energy storage systems have emerged as the fastest and most cost-competitive bridge, and we believe our holdings in Fluence Energy Inc. (FLNC) and Stem Inc. (STEM) are positioned to benefit directly from this structural demand.

The second bottleneck is power conversion. AI-optimised GPU racks consume 2–4x more watts than conventional hardware, demanding power electronics that silicon-based chips cannot support. Silicon carbide is an enabling material — operating at higher temperatures, switching faster, and delivering superior power density. We hold reorg equity and 2nd lien bonds in Wolfspeed Inc. (WOLF), the only vertically integrated SiC producer with both substrate and device fabrication in the United States.

Beneficiaries of geopolitical uncertainty

The US-Iran conflict has done more than spike oil prices — it has raised the likelihood of sustained \$100+ crude becoming the new normal. At that level, switching to electric vehicles stops being a lifestyle choice and becomes an economic one for most consumers. History shows that every major oil shock pulls clean energy adoption forward by several years, and this cycle has stronger policy support and greater industrial capacity than any before it. We hold credits in Rivian Automotive Inc. (RIVN), NIO Inc. (NIO), and Lucid Group Inc. (LCID)— three EV manufacturers whose bonds are priced for stressed/distressed levels yet sit directly in the path of what we believe is an accelerating demand shift.

The second beneficiary is infrastructure. Europe's structural dependency on hydrocarbons is generating a multi-decade capital programme across LNG terminals, offshore wind, and grid build-out that far exceeds existing contractor capacity. McDermott International Ltd. (MCDIF), where we hold reorg-equity, is a leading Engineering, Procurement, Construction, and Installation (EPCI) contractor across both Europe and the Middle East— with \$10 billion in 2025 revenue, \$428 million in adjusted EBITDA, and an \$18.2 billion backlog providing compelling multi-year visibility.

The third is silver. With 59% of consumption driven by solar, EVs, and electronics, five consecutive years of physical supply deficit⁴, and China tightening export licences from January 2026⁵, we hold convertible bonds of First Majestic Silver Corp. (AG). We believe First Majestic captures supply scarcity, accelerates industrial demand, and provides geopolitical safe-haven optionality in a single layered thesis, at a price that has already corrected.

Out of favor sectors

Sector rotation driven by the current administration's policy agenda has been aggressive and, in several cases, indiscriminate — creating entry points where policy risk is priced without fully

³ Goldman Sachs Research, *IEA Energy and AI Report (2025)*

⁴ Sprott Silver Investment Outlook (Mid-Year 2025); *Silver Institute World Silver Survey 2025*

⁵ *China Ministry of Commerce (MOFCOM) announcement, October 30, 2025*

assessing underlying fundamentals. The most visible casualty has been healthcare, where the One Big Beautiful Bill Act's \$911 billion in Medicaid cuts triggered a reflexive sell-off across the sector. We hold Evolent Health Inc. (EVH) distressed debt at approximately 55 cents on the dollar, where improving contract terms, stronger Medical Loss Ratio (MLR) discipline, and a renegotiated payer mix are driving fundamental margin recovery entirely obscured by the policy narrative.

The second opportunity is in consumer finance, where elevated rates and falling household savings have triggered indiscriminate repricing across the sector. In our view, Pagaya Technologies Ltd (PGY) is the standout mispricing. Unlike conventional lenders, it does not hold consumer loans on balance sheet — instead originating and syndicating to third-party investors, retaining only the bottom 5%. It is an asset-light intermediary earning origination fees, not net interest margin. The market has applied a blanket consumer finance discount to what is effectively an AI-driven credit platform - delivering us 17%+ yielding credit.

High Conviction Opportunities

With much of the idiosyncratic downside flushed out, we believe the Fund contains catalyst-rich opportunities.

Cardlytics Inc. (CDLX) operates a purchase-based advertising platform embedded in the banking apps of more than 2,600 financial institutions across the US and UK, reaching consumers responsible for nearly \$6 trillion in annual card spend. When customers use their bank cards, Cardlytics captures that transaction data and delivers targeted cash-back offers for advertisers. Its advantage lies in the infrastructure: these bank integrations require years of compliance, legal work, and technical development, making the platform deeply embedded and difficult to replace.

Despite this favourable position, Cardlytics has struggled to translate its advantage into consistent growth and monetization. Revenue headwinds, including a bank partner renegotiation, have masked the business's underlying operating leverage. At the same time, the market appears to be overlooking the ramp with American Express (AXP), where early results show higher order values and redemption rates, suggesting AXP could become Cardlytics' largest revenue partner over time.

With the bonds trading at 28 cents on the dollar, the market is valuing the company as a bankruptcy candidate. Even in a restructuring where bondholders become equity owners, the business still controls a platform that would take billions of dollars and many years to replicate.

Esperion Therapeutics Inc. (ESPR) markets once-daily oral non-statin therapies for the 10–29% of patients who cannot tolerate statins because of muscle-related side effects. It now carries a Class I, Level A recommendation in both US and European cardiology guidelines, the highest level of clinical endorsement. On a fundamental basis, US net product revenue grew 38% year over year in 2025, with retail prescription equivalents increasing 34% in Q4⁶. The pipeline adds further upside: a triple-combination pill is expected to launch in 2027 and could deliver more than 60% LDL reduction.

We believe the company should trade at roughly 4x sales given its growth profile, with 2026 potentially marking its first profitable year. This is one of our highest-conviction positions. Management has consistently delivered growth above expectations, yet both the stock and bonds still trade at a meaningful discount to intrinsic value.

Total Play Telecomunicaciones is Mexico's leading 100% fiber optic telecommunications provider, with a network passing 19.5 million homes, a footprint built over more than a decade with billions of

⁶ *Company Financials*

pesos of capital and 5.4 million subscribers⁷. With a market share of 27.8%, we believe the company still has significant room to grow revenue without meaningful additional network capex. The business delivered encouraging 2025 results, with EBITDA margins reaching 45% and free cash flow of roughly MXN 3 billion⁸.

We own the 11.125% Senior Secured Notes due 2032, secured by the fibre network. Bonds trade at a discount largely due to sponsor-related concerns, in our view overshadowing the company's strong free cash flow profile, deleveraging potential and tight covenant protection.

Fund Positioning

From a risk perspective, volatility is inherent in stressed and distressed investing, and we approach this reality with discipline and a risk framework. Public credit offers three distinct advantages:

- **Transparency** - we mark-to-market daily, not mark-to-model, so you see exactly where we stand at all times.
- **Liquidity** - we can exit positions and redeploy capital efficiently.
- **Access double-digit yield bonds** without amplifying risk at the Fund level (no leverage).

Our opportunity set continues to exceed available capital, and we expect to remain highly active. The companies we focus on represent some of the most attractive valuations in our wheelhouse. If you know someone who would be a strong fit to invest in the Fund, we welcome you sharing this letter.

Thank you,

Parul Garg

April 20, 2026

⁷ Company Financials

⁸ Company Financials