

Manager's Commentary

David Barr

The Fund returned 2.1%¹ in Q1 against one of the more disorienting macro backdrops in recent memory.

The Iran conflict escalated into a full-scale confrontation, and the effective blockade of the Strait of Hormuz sent shockwaves well beyond oil markets, disrupting fertilizer supply, broader commodity chains, and global trade flows in ways that are still being fully understood. US oil prices approached record highs before pulling back late in the quarter on hopes that a resolution may be near.

The uncertainty didn't stop there. The Supreme Court of the United States blocked President Trump's use of emergency powers to impose tariffs, prompting the Administration to implement a 10% baseline tariff on all imports. Canada and the US re-entered trade negotiations with CUSMA up for review, while Canada moved to diversify its trade relationships through new agreements abroad. Meanwhile, rate expectations reversed sharply, the question shifted from how deeply central banks would cut in 2026, to whether any might need to raise rates, as rising energy prices rekindled inflationary pressures and left policymakers navigating an increasingly difficult balancing act.

Faced with unresolved questions on multiple fronts, many companies and investors moved into a wait-and-see position, deferring decisions and pulling back on longer-term commitments until the macroeconomic picture becomes clearer.

Along with this uncertainty, AI disruption concerns added another layer, triggering a rolling selloff across software but also broader industries like trucking, commercial real estate, and financial data as markets temporarily treated many businesses as terminally impacted. We viewed this as an opportunity, selectively adding to high-conviction holdings where the gap between price and intrinsic value had widened.

Index / Fund	Q1 Return	1 Year Return
Pender Partners Fund	2.1%	16.5%
S&P/TSX Composite (CAD)	4.0%	34.9%

Portfolio Holdings – Updates

Top Contributors (Q1)	Contribution	Top Detractors (Q1)	Contribution
NexGen Energy Ltd. (NXE)	142.0 bps	Brookfield Corp. (BN)	-43.5 bps
Pender Small Cap Opportunities Fund	127.2 bps	LVMH Moët Hennessy (LVMUY)	-41.7 bps
Jabil Inc. (JBL)	57.8 bps	Danaher Corp. (DHR)	-42.2 bps

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 Pender's Equity Funds may be found here: <https://penderfund.com/fund/pender-partners-fund/>.

As of month end, the portfolio comprised 31 holdings with a 44.4% exposure to US equities and 42.2% exposure to Canadian equities. In Q1, it was reassuring to see that one of our strongest contributors was our ownership of the **Pender Small Cap Opportunities Fund**, reinforcing our conviction in underfollowed, high-quality small-cap businesses.

Another top performer was **NexGen**, a Canadian uranium exploration and development company. NexGen recently cleared its final major regulatory hurdle with the Canadian Nuclear Safety Commission (CNSC), paving the way for construction to begin in mid-2026. We continue to follow the strengthening uranium cycle with conviction. Years of underinvestment, disciplined producer supply, and accelerating demand from a global nuclear renaissance have created a structurally tight market and we view uranium as entering a favorable multi-year cycle.

Brookfield was a detractor in the quarter. BN declined alongside alternative asset manager peers KKR, Blackstone, and Apollo amid a broader sentiment shift around private credit risk, partly triggered by developments at Blue Owl Capital and rising default concerns across the asset class. We believe the market painted the sector with too broad a brush. BN has almost no direct lending exposure, software-related loans represent only ~2% of AUM, and its credit business is focused on asset-backed finance and opportunistic credit rather than direct lending to highly levered companies. Importantly, management views volatility as a potential positive: Oaktree, BN's credit partner, has remained deliberately under-deployed and is positioned to put its dry powder to work during market dislocations, precisely the environment we are in. Our thesis remains unchanged, and we used the weakness as an opportunity; BN remains a top-10 holding.

Lvmh Moët Hennessy Louis Vuitton was another detractor this quarter. The company's 75 iconic brands spanning fashion, jewelry, wines and spirits, and beauty give it significant scale and pricing power, but Q1 brought a complex geopolitical backdrop that weighed on luxury demand. Middle East exposure represents approximately 6% of group sales, and the conflict drove a roughly 3-point impact on March demand, with declines varying by division. Management cited approximately a 1-point drag on Q1 growth overall. LVMH's global footprint helped offset localized disruptions, though currency fluctuations added further pressure to reported figures. Looking ahead, we remain constructive. LVMH is leaning into creative renewals across several houses: Christian Dior's first collections under Jonathan Anderson have been met with solid demand, with refreshes also underway at Celine, Loewe, and Givenchy. Following a period of elevated investment, management is also emphasizing cost containment and efficiency to support margin stabilization. Our thesis remains unchanged.

Outlook

The current market environment remains volatile and well suited for fundamental active investing. A combination of AI-driven disruption, tariff uncertainty, geopolitical tensions, the persistent valuation gap between small and large-cap equities, and an active M&A landscape is creating an attractive backdrop which we believe the Fund is well positioned to capitalize on. Thinking like a contrarian can be one of the most powerful edges in investing, and it is starting to look like a classic setup for patient, fundamental investors.

David Barr, CFA

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