

Manager's Commentary

David Barr and Amar Pandya

Markets were volatile this quarter, with small-cap technology in Canada bearing the brunt of the pressure. The S&P/TSX Info-T had one of its worst starts in recent history, driven by intensifying fears of AI-driven disruption and the so-called "SaaS-Pocalypse," even as the S&P/TSX Composite Index reached historic highs near 34,500¹. While negative software sentiment may persist in the near term, we see the current environment as an opportunity, and remain confident in the long-term outlook for our holdings.

A key theme of the quarter was the rotation away from high-growth areas of the market toward cyclical and resource-based sectors. Energy and materials outperformed, driven by the geopolitical backdrop and rising commodity prices. The US-Israel-Iran conflict emerged as the dominant macro factor, disrupting global supply chains and triggering a systemic energy supply shock following the effective closure of the Strait of Hormuz. We were able to participate in this rotation through holdings we had begun building as we identified the potential for re-rating. As Q1 progressed, the continued strength of our resource holdings also provided a source of funds, enabling us to redeploy capital into areas where we believe our bottom-up research advantage is greatest. As a result, the portfolio continues to rotate back toward our core areas of expertise, where disciplined stock selection has the potential to generate the most value.

Index / Fund	Q1 Return	1 Year Return
Pender Small Cap Opportunity Fund (CAD)	4.0%	24.6%²
Russell Microcap Index (CAD)	2.8%	40.9%
Russell 2000 Index (CAD)	2.3%	21.6%
S&P/TSX Composite (CAD)	4.0%	34.9%

Portfolio weights remain predominantly Canadian, with approximately 85.2% in Canadian equities and 14.2% in US equities.

Portfolio Holdings – Updates

Top Contributors (Q1)	Contribution	Top Detractors (Q1)	Contribution
General Fusion Inc.	+437.0 bps	Sylogist Ltd. (SYZ)	-135.1 bps
Saturn Oil & Gas Inc. (SOIL)	+279.7 bps	Coveo Solutions Inc. (CVO)	-175.4 bps
5N Plus Inc. (VNP)	+206.5 bps	PAR Technology Corp. (PAR)	-371.9 bps

General Fusion was the top contributor in the quarter. A long-term holding aligned with two of Pender's structural investment themes: Global Energy Transition and Rising AI and Digital Infrastructure Energy Demand, the company is currently in the process of going public, and as such we cannot comment further at this time. The transaction is expected to close in mid-2026.

Saturn Oil & Gas, a Canadian energy company focused on asset development in Saskatchewan and Alberta was a top performer in the quarter. We view Saturn as a catalyst-rich company that, despite

¹ *S&P/TSX Capped Information Technology, December 31, 2025 to March 30, 2026*

² *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: penderfund.com.*

recent price appreciation driven by rising oil prices, continues to trade at dislocated valuations. As the company de-levers, we see the opportunity for multiple expansion, a thesis management has been executing on over recent quarters, accelerated by the surge in oil prices in March. Shares were up nearly 150% in Q1.

5N Plus also performed well, contributing 206.5 basis points to portfolio performance. The company released its fiscal year 2025 results alongside 2026 guidance that, in our view, remains conservative, implying approximately 100% growth relative to the 2025 guide. The company also announced a 25% capacity expansion in its space solar division. 5N Plus continues to solidify its position as a critical producer of specialty, proprietary materials, and we believe several catalysts remain ahead on both the product and sales fronts.

The technology sector struggled during the quarter amid heightened volatility in software, driven largely by concerns around AI-related disruption. In our view, short-term price dislocations are not a flaw in the process, they are often the source of long-term opportunity. Valuations remain compelling, dispersion across the sector is high, and many high-quality businesses continue to trade well below our estimate of intrinsic value.

Coveo was a detractor in the quarter, caught up in the broader pessimism surrounding the software sector. Coveo is an AI-powered enterprise search platform delivering highly relevant experiences across websites, e-commerce, customer service, and workplace applications. We view Coveo as a beneficiary of AI rather than a business facing existential risk from it. Our thesis remains unchanged, and Coveo remains a top ten holding in the portfolio.

PAR Technology was also a detractor despite continued solid underlying performance. During the quarter, the company announced the acquisition of Bridg, an identity resolution platform, for \$27.5 million. While modest in size, the deal is strategically aligned with PAR's data strategy, enhancing the platform's ability to identify and engage non-loyalty customers from previously anonymous transactions. Meanwhile, the company's first major AI product, Coach AI, reached a milestone deployment across nearly 900 stores as of early 2026, serving as a cornerstone of the new PAR Intelligence orchestration layer. Despite the recent selloff, we continue to view PAR as a high-quality business, and our thesis is unchanged.

Outlook

As we look ahead, we continue to identify opportunities in undervalued small-cap businesses with strong economic characteristics trading at attractive valuations. While 2026 has had a challenging start, we believe the current valuation compression is setting the stage for a recovery driven by solid underlying growth and the accelerated integration of AI. Although near-term sentiment remains cautious, the outlook for the remainder of the year hinges on companies successfully proving the durability of their business models in an AI-first economy.

During the quarter we continued adding to our technology exposure, reflecting where we currently see some of the most compelling long-term opportunities. The combination of improving business fundamentals and compressed valuations is precisely the type of environment where durable investments are found. Overall, the portfolio remains positioned around what we believe are some of the most durable long-term growth drivers, particularly in technology and software, while maintaining a disciplined focus on valuation, balance sheet strength, and downside protection.

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