

Manager's Commentary

Geoff Castle

The Pender Corporate Bond Fund enjoyed a positive month in April, returning 1.5%¹ for the period. This return was within the context of generally strong credit market conditions as expanding global growth and expectations for a relatively quick end to the Iran conflict buoyed prices.

Leading the way for the Fund was our position in **Wolfspeed Inc** capital structure. Wolfspeed benefitted from an improved market assessment of the need for its silicon carbide substrate in AI applications, sending the company's 2031 convertible notes up over 60%. Also contributing strongly was our position in the distressed notes of **GrafTech International Ltd. (EAF)**, as the North American leader in graphite anodes for steel production announced significant price increases. Finally, our holding in busted convertible notes of **Evolent Health Inc. (EVH)** rallied over 10 points on optimism over better-than-expected Medicare reimbursement rate increases.

There weren't many weak lines in April, but one offsetting decliner was our position in the "roll up" term loan of Spirit Airlines, which announced a liquidation in its bankruptcy proceedings, dashing hopes of a going-concern sale.

Managing Risks in a Market Seemingly Full of Them

Notwithstanding recent market calm, there is a long list of perilous-looking risks confronting investors. The Iran war; the Strait of Hormuz blockage; the 2026 midterms; the trade wars; the Ukraine war; the Greenland threats; and, at home, a Brexit-like separatist challenge in Alberta.

Like a sailor of old facing stormy seas, we look to key principles, the "stars" that guide us through turbulent market conditions.

Liquidity: As the now-frustrated holders of locked up private credit funds are painfully aware, there is a cost to locking in to untradeable positions. For more than a decade, we have considered providing daily liquidity in the Fund as Job One. Our stress test is simple. At least half of the Fund should be able to be liquidated in a single day.

Valuation: If we buy credit positions which are well-covered by a conservatively calculated disposition value of a company or of its assets, our chances of losing money on any particular investment are, in our view, significantly reduced.

Focus: Although we pride ourselves in the willingness to go "anywhere" to generate interesting returns, that doesn't mean we go "everywhere." 78% of our Fund is invested in the top sixty issuers, meaning that our team has the time to focus closely on risks and opportunities within each of our investee companies.

Position Limits: Notwithstanding the attractiveness of a potentially risky position, we limit our exposure to any corporate issuer to a maximum of either five-, four-, or three-percentage weights in the Fund, according to our assessment of underlying default risk.

¹ 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: <https://penderfund.com/fund/pender-corporate-bond-fund/>

Vigilant Risk Measurement: Instead of outsourcing our understanding of default risk to the sometimes conflicted, and often out-of-date opinions of the rating agencies, we consider real-time default probabilities of our issuers based on live and objective financial and market data. And for convertible bond positions, we monitor the equity sensitivity of our portfolio by calculating delta-weighted equity exposures.

New Positions

Recently we acquired a position in the convertible bonds of Chinese e-commerce leader **Alibaba Group Holding Ltd. (BABA)**. Like Amazon, Alibaba's business has grown beyond classic internet retailing to include leading positions in China's cloud computing and AI-related businesses. Credit metrics on Alibaba are solid, with EBITDA covering interest more than 13x and Debt/EBITDA less than 2x. Equity-linked upside on the convertibles may be possible here as Alibaba shares are down over 50% from their 2020 highs, notwithstanding doublings of both book value and revenue per share in the intervening six years.

We also added a stake in the distressed bonds of the aforementioned **GrafTech International**. GrafTech is the largest North American producer of graphite anodes which are critical inputs into electric arc furnace steel production. Cyclical weakness, in combination with aggressive price cuts from Chinese and Indian competition led to a recent period of weak financial performance, causing some of the company's second lien notes to trade as low as 45c on the dollar. We believe GrafTech has long-term enterprise value far in excess of the trading value of its secured bonds and a number of potential catalysts for positive re-rating. In addition to pricing action, which the company took this month, trade action in the United States may provide further profitability support. Liquidity is also strong, with the company reporting over \$300MM of available liquidity at March 31.

Fund Positioning

The Pender Corporate Bond Fund yield to maturity at April 30 was 6.11% with current yield of 5% and average duration of maturity-based instruments of 3.58 years. The Fund holds a 1.04% weight in credit instruments where positions are held for a target value lower than par, and therefore the yields of these securities are not included in the foregoing calculation. Likewise, near- or in-the-money convertible securities representing 6.3% of the Fund are similarly excluded from the yield calculation. Cash represented 3.3% of the total portfolio at April 30.

Geoff Castle
May 12, 2026