

## Manager's Commentary

David Barr

The Pender Global Small/Mid Cap Equity Fund returned 6.3%<sup>1</sup> in April. Following a pullback of 9.10% from its January high through late March, the S&P 500 rebounded to post a gain of 7.9% for the month and briefly touched new all-time highs. The recovery was driven by three converging events: a partial de-escalation of geopolitical tensions, the Q1 2026 earnings season that broadly exceeded analyst expectations, and a resurgence in artificial intelligence investment sentiment that lifted the technology sector meaningfully.

Index / Fund	April Return	1 Year Return
<b>Pender Global Small/Mid Cap Equity Fund (CAD)</b>	<b>6.3%</b>	<b>5.8%</b>
S&P 500 Index (CAD)	7.9%	29.1%
Russell 2000 Index (CAD)	9.6%	42.4%
S&P/TSX Composite (CAD)	3.8%	40.2%

Portfolio weights remained approximately 49.6% Canadian equities and 42.8% US equities.

Technology stocks drove more than half of the S&P 500's monthly gain in April, with the sector's recovery anchored in a sharp reversal of mega-cap names that had been sold down since February on "peak AI" concerns. While the business case for the scale of AI data centre investment has yet to be fully proven, capital expenditure commitments have not slowed, if anything, they appear to have likely catalyzed a broader capex boom across the US economy.

Semiconductors were the standout performers. Advanced Micro Devices Inc. (AMD) gained 74.3%, ON Semiconductor Corp. (ON) 62.8%, and Broadcom Inc. (AVGO) 34.9%, moves that sent the VanEck Semiconductor ETF (SMH) to a 32.2% return for the month. This in turn drove the Nasdaq 100 to a gain of approximately 15%. Continued cloud and AI demand from hyperscalers reinforced the theme throughout, with growth stocks outpacing value by a wide margin as investors positioned around what many are now calling a new "AI Supercycle."

Global equities staged a broad recovery in April, with the MSCI Emerging Markets Index gaining 13.1–15.0% and the MSCI Asia Pacific Index surging 13.0%, its strongest month since late 2022, as a ceasefire in the Middle East and renewed AI optimism drove a technology-led melt-up across North Asian and emerging markets. In Canada, performance was more sector-specific. Energy and consumer staples showed resilience, with a recovery in oil prices providing a meaningful offset to weakness in the materials sector, where gold declined in the month.

The Q1 2026 reporting season offered a mixed picture with companies largely emphasizing the durability of their businesses, with many noting steady demand and limited direct impact from geopolitical pressures to date. The AI and data centre buildout remained a consistent positive theme. However, a note of caution ran through many management commentaries with the macro environment being frequently described as uncertain and dynamic, and a number of companies citing rising customer sensitivity to inflation and the continued drag from elevated interest rates.

<sup>1</sup> 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-global-small-mid-cap-equity-fund/>

That caution is warranted. The tightening in financial conditions stemming from geopolitical uncertainty has begun to weigh on global growth momentum, and the second-order effects of elevated commodity prices on consumption are still working their way through the system. This risk is compounded by the possibility that sticky core inflation and rising bond yields could constrain central banks' room to cut rates. In April, the Bank of Canada, US Federal Reserve, European Central Bank, Bank of England, and Bank of Japan all held rates steady, a signal that policymakers remain in a wait-and-see position.

Despite this backdrop, we see reasons for measured optimism. Industrial demand has remained sufficiently resilient to absorb pockets of consumer softness, and the earnings season overall was constructive. We remain confident in the opportunities we are identifying across the portfolio and continue to deploy capital selectively.

### Fund specific updates (April)

Top Contributors	Contribution	Top Detractors	Contribution
<b>Generac Holdings Inc. (GNRC)</b>	123.8 bps	<b>Dye &amp; Durham Ltd. (DND)</b>	-17.0 bps
<b>Tantalus Systems Holding Inc. (GRID)</b>	111.1 bps	<b>Lumine Group Inc. (LMN)</b>	-33.8 bps
<b>Telesat Corp. (TSAT)</b>	98.5bps	<b>Dollar Tree Inc. (DLTR)</b>	-42.3 bps

**Generac** was the top performing holding for the month. The company reported Q1 results that beat analyst expectations on both the top and bottom lines. Management also raised full-year guidance, with revenue now expected to grow in the mid-to-high teens and EBITDA margins forecast to come in 50 bps ahead of prior expectations. The key story this quarter was what management described as "generational" growth in the data center market, which drove a 28% increase in the Commercial & Industrial segment. Generac continues to see continued demand from data centre customers and expects to secure its first significant order from hyperscalers in the near term, in addition to a \$700 million backlog from co-locators.

**Tantalus** was another top performer. The company reported Q1 2026 results showing revenues increasing 27% year-over-year (organic) with Connected Devices revenues up 34% year-over-year and Software/Services revenues up 14% year-over-year. The company noted that 70 utilities have now submitted orders to trial, pilot and/or deploy the TRUSense Gateway, which is up from 66 utilities last quarter. ~40% of these utilities are in active deployments.

Portfolio Activity	Action	Rationale
CTS Eventim AG & Co KGaA (EVD)	Add	Added to position after the stock sold down. Thesis unchanged.
Telesat	Trim	Manage position sizing after a period of outperformance to reallocate capital to higher conviction opportunities.
Generac	Trim	Manage position sizing after a period of outperformance to reallocate capital to higher conviction opportunities.

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May 19, 2026