

Manager's Commentary

Emily Wheeler

The class F units of the Pender Bond Universe Fund were up 1%¹ in the second quarter of 2026, relatively underperforming their benchmark by 1%. Most Investment Grade (IG) holdings contributed positively over the period with standout performance from Pender Corporate Bond Fund units held and certain non-IG lines such as Meritage Homes and Opko Health's converts, which moved 28 points higher in Q2. A net positive result this period was tempered somewhat by a pullback in several commodity related lines that had been positive contributors in previous periods.

Rates Backdrop

The Canadian curve shifted marginally lower this quarter, while rates in the US moved higher. The inflation narrative was reinforced with the arrival of Warsh and his emphasis on the importance of price stability at his first FOMC meeting, further colouring the already bearish market sentiment on treasuries. We believe a weakening economic picture from here would likely be necessary for bonds to benefit. However, being contrarian investors, we find it hard to ignore the strong set-up for treasuries we're seeing currently. In addition to weak sentiment, bonds are cheap compared to stocks and portfolio allocations to treasuries are as low as they've been for approximately two decades².

New to the Fund

Not an area we have been focused on in the past, however the recent AI threat driven sell-off in software, presented several interesting opportunities this quarter. We have recently come across a number of companies with healthy profitability, low leverage and substantial equity cushions supporting debt that have suffered equity price sell-offs in the double digits. One such opportunity is Vertex Inc. (VERX) 0.75%'29 convertible bond which we added to the non-IG portion of the Fund this quarter. Vertex is a tax software vendor serving over 60% of Fortune 500 companies. Their key solution calculates indirect taxes such as sales tax and GST at point of sale in over 20,000 jurisdictions. With only \$345 million debt vs \$2 billion in market cap, the equity cushion is compelling. Also, given this low-coupon convert is the only debt in the structure, interest expense is minimal and EBITDA coverage of it is significant (>30 times in 2025). With \$250 million cash and \$300 million undrawn revolver, liquidity is also ample.

We were buying these bonds around \$91 in Q2 and if the story here ultimately ends for us with repayment at maturity, they would provide ~4% yield. However, in addition, the underlying share price has been impacted by the general sell-off in the software space and with the stock down over 70% from a high in January 2025, we thought these warranted a closer look. Given their incumbent industry position and the intricacies of tax calculation, we believe the business to be less exposed to possible AI usurpation than some in this space. Given this, and considering the quality of the underlying business, our calculations suggest it is not impossible the underlying

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-bond-universe-fund/>

² Topdown Charts Limited; Quarterly Strategy Pack – Q3 2026

makes it back to the strike before maturity...providing optionality on upside incremental to simply a par maturity.

Also new to the Fund is a FinVolution Group (FINV) 2.5%'30 convert. FinVolution provides a leading fintech platform to customers principally in China, Indonesia and the Philippines. Aside from demonstrating impressive growth along with attractive margins and ROE, the company has more cash than debt. A credit positive regardless, but given these bonds are puttable to the company at par in 2028, their significant cash position increases the likelihood of achieving the attractive 9% yield to put. In addition, we think the stock is undervalued, which may provide further upside in the coming years, should the underlying move through the strike.

In addition, we recently participated in the refinancing of Jushi Holding Inc. (JUSH) 1st and 2nd lien debt. Jushi is a multi-state US cannabis operator that issued a 12.5% term loan to replace existing secured debt and for general corporate purposes. When taking into consideration the 4% original issuer discount and exit fees, it provides an attractive 16% IRR to maturity in 2029. As founders, who together represent over 15% of the company's stock ownership, invested alongside us in this loan, alignment with insiders is also meaningful. Ultimately, we feel risk to reward is attractive here given reasonable turns of leverage at the secured level and substantial collateral coverage of debt. Good news for Jushi hit the wire at quarter-end, with the announcement that legislation was enacted to establish an adult-use cannabis market in Virginia, a state which represents the single largest growth opportunity for Jushi.

Fund Positioning

A term premium as high as it has been in a decade and a considerable contrarian set-up for treasuries colours the rates back-drop. However, given the potential for longer term inflation risk, we did not extend duration in a meaningful way this quarter. Duration was 4.08 at June 30. Non-Investment Grade represented 24.5% of the Fund and yield to maturity was 4.17% at quarter-end.

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