Pender Alternative Select Equity Fund

Manager's Commentary – **August 2026**

Greg Taylor, CFA

Market Update

One phrase that I feel is true more often than not is, "markets will do what makes the most people wrong." This August seems to have captured that phrase perfectly. During what is normally one of the quietest and most volatile parts of the calendar, anyone who stepped to the sidelines missed one of the better months of the year.

2026 has not gone anywhere close to expectations. It was expected to be a year of rate cuts and falling inflation, but the Iran war and higher oil prices have derailed that plan, pushing bond yields higher. Yet, even with that backdrop, it hasn't been a bad year for financial assets.

If someone had told you in January that bond yields would be at cycle highs by September, most would have predicted a negative outcome for equity markets. However, that hasn't been the case, as equity markets ended August near all-time highs.

What has helped to support markets has been a steady supply of capital. When inflation is high, the worst thing investors may do is hold cash. To maintain purchasing power, investors likely need to stay invested in assets that will earn a return higher than inflation. This has helped to keep a bid to all asset classes.

One huge positive this year is that corporate earnings have come in much stronger than expected. With valuations near record levels, earnings needed to surprise to the upside for prices to move higher, and that is exactly what happened. Another positive is that this isn't just AI-driven, as it has been in recent years. Corporations across many sectors are taking advantage of growth opportunities.

But it's not all clear sailing. The bond market is sending out warning signs that investors need to pay attention to. Yields moving higher could eventually have an impact on highly levered governments and individuals. In our view, this will slow growth. The fact that the US Treasury intervened during the month in an attempt to lower yields at the long end of the curve can't be looked at as a positive.

One asset class that has caught on to this risk is gold. Precious metals have had a wild two years but saw gains in August. Investor demand is picking up, with record flows into related ETFs, while central banks have picked up purchases. The role of gold in a portfolio is to be a store of value, and with increased uncertainty ahead, it appears ready to do its job.

Heading into the fall, we don't expect volatility to subside. The US-Iran war looks far from settled, which will likely keep energy prices higher. That will make it very difficult for Central banks to keep yields lower to help consumers. Add on top of that trade wars and an uncertain US election season and investors have every reason to lock in some hard-earned profits. Unless everyone has already done that? Which makes for a tricky environment. If everyone has already sold, what will make the most people wrong is a further run into year end.

Fund Update

The Pender Alternative Select Equity Fund was higher by 8.7% in August, which brings the year-to-date performance to 28.7%[1]. This compares to the S&P/TSX Composite return of 3.1% for the month and 16.0% for the year-to-date. While August is traditionally one of the weaker months of the year, markets generally posted positive returns, continuing a trend that also played out last year.

The Fund came into the month with a defensive stance with higher cash levels, but our exposure to precious metals helped returns. This sector has had a very volatile year. After a great start which was exacerbated by FOMO in January, many companies had seen their share prices fall by over 50%. We had been adding to these holdings throughout the spring, and while this had been a drag on performance earlier, the Fund benefited in August as positive momentum returned and many of our holdings had strong rebounds.

Heading into September, we continue to be cautious on the overall market. With trade wars, real wars, and higher inflation, it doesn't seem like the backdrop to take on risk. The consumer sector remains under pressure due to higher interest rates and that should weigh on the banks. The technology sector has seen a nice rebound and will probably be held up into several substantial IPO's, but the business models for AI have yet to be proven. Real assets remain our favourite asset class as a protection vs higher inflation. In our opinion, gold, copper, and uranium are in an excellent position heading into year end, which remains a high concentration of the Fund.

Greg Taylor, CFA
CIO and Portfolio Manager
September 17, 2026

[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-alternative-select-equity-fund/