Pender Small Cap Opportunities Fund

Manager's Commentary – **August 2026**

Pender Small Cap Opportunities Fund Team

In August, the Fund returned 1.5%[1], ahead of the Russell 2000, which declined -0.1%. 2026 has been a year where software has dominated headlines, from the SaaSpocalypse, to recovery, and back again, and August was no different. Software valuations continue to rebound off 52-week lows, although many of the names we follow have been caught up in the market's unfavourable view of the sector, as well as the resulting flows, regardless of fundamentals.

Index / Fund (CAD)	1 Mon	1 Yrs	3 Yrs	5 Yrs	10 Yrs
Pender Small Cap Opportunities Fund (CAD)	1.5%	21.5%	27.6%	9.9%	13.1%
Russell Microcap Index (CAD)	1.9%	39.4%	24.5%	8.9%	11.9%
Russell 2000 Index (CAD)	-0.1%	27.8%	18.5%	8.9%	11.1%
S&P/TSX Composite (CAD)	3.1%	30.0%	24.9%	15.4%	12.9%

Portfolio weights ~70.3% in Canadian equities and ~19.7% in US equities.

That said, sentiment around the broader SaaS landscape appears to be improving, as we saw large US-listed names report encouraging results. Investor sentiment improved following strong enterprise software earnings, particularly Salesforce's Q2 results, which reinforced confidence in demand trends and AI monetization opportunities. Adobe also delivered a largely in-line result with no major surprises: revenue guidance was raised for the year on the back of a Q3 beat, while ARR guidance was maintained.

As with the previous seven months of the year, AI remains top of mind for investors, as capital expenditures on AI infrastructure continue to be scrutinized for their ability to generate profits. Sentiment improved further as Q2 earnings showed that AI spending is increasingly being funded alongside, rather than at the expense of, core software budgets. Companies with credible AI monetization strategies generally reported limited evidence of demand disruption, with improving AI-driven contributions to bookings, upsell activity, and customer engagement. The S&P 1500 Software & Services Index gained 13.1% during the month (its second consecutive month of double-digit gains) leaving the index up 3% YTD, though it continues to trade at a 1.8x discount to its 10-year average FY2 EV/EBITDA multiple.

Despite the wall of volatility and uncertainty in markets, exacerbated by geopolitics and rate uncertainty, we remain confident in the opportunities that lie ahead. In particular, we see the infrastructure build-out to support AI and software as an unprecedented capex cycle, with North American hyperscalers alone guiding toward over $720 billion in total capital expenditures for the year, as a compelling area for investment.

Looking ahead, we remain cautious on broader market conditions despite recent strength and have retained more defensive positioning in months past. That caution comes with a silver lining: significant infrastructure spending that we believe may occur over the next decade could create long-term opportunities across several sectors, even as near-term pressures weigh on large-cap and small-cap equities alike. Against that backdrop, we continue to seek out undervalued small-cap businesses with, in our view, strong economic characteristics trading at attractive valuations. We remain high conviction on software as a sector and are excited about the opportunities to invest in it going forward.

Portfolio Holdings – Updates

Top Contributors (August)	Contribution	Top Detractors (August)	Contribution
McDermott International Ltd. (MCDIF)	321.6 bps	Tantalus Systems Holdings Inc. (GRID)	-58.8 bps
Vitalhub Corp. (VHI)	101.3 bps	Kraken Robotics Inc. (PNG)	-30.0 bps
Logan Energy Corp. (LGN)	54.9 bps	5N Plus Inc. (VNP)	-25.0 bps

McDermott – Was a top contributor for a second straight month, as the market started pricing in some of the value we've been underwriting ahead of it. We continue to view McDermott as an attractive reorganization equity opportunity, one where Pender's fixed income team's expertise proved valuable, particularly in analyzing the company's restructuring, capital structure, and the value of the securities that emerged from that process. The rights issue executed in August was an important catalyst within the special situation: it's expected to strengthen McDermott's balance sheet, improve its financial flexibility, and help create a clearer path toward a potential liquidity event. As the balance sheet strengthens and that path becomes clearer, we see room for the current valuation discount to narrow and the underlying value of the business to be realized.

VitalHub – Was another top contributor in the month. The company reported earnings broadly in line with expectations, crossing the milestone of $100 million in Annual Recurring Revenue (ARR). VitalHub ended the quarter with over $130 million in cash, and management announced an NCIB to buy back nearly 5% of shares. Management noted that the company's strong cash position allows it to pursue both share buybacks and its M&A strategy simultaneously.

Portfolio Activity	Action	Rationale
Kraken Robotics	Add	Increased position size on share price weakness. Thesis unchanged.
Tantalus	Add	Increased position size on share price weakness. Thesis unchanged.
MDA Space Ltd. (MDA)	Add	Increased position size on share price weakness. Thesis unchanged.

Tantalus – A detractor in the month, despite a solid quarterly print. Q2 results delivered record quarterly revenue of $15.4 million, up 18%, alongside improving gross margins and higher recurring revenue. The market wasn't convinced: shares sold off on a slight EPS miss vs the street, despite the continued top-line growth. As long-term investors, we see no material change to our thesis. Conviction in the company's growth outlook remains solid, and we see Tantalus as well positioned to benefit from sustained utility investment in grid modernization, electrification, and resilience. We also see meaningful upside from TRUSense, which expands the company's addressable market by $10 billion+ as utilities increasingly adopt edge intelligence and advanced grid analytics. Adoption continued to progress in the quarter: the number of utilities placing orders for the TRUSense Gateway increased to 77 with 37 utilities now beyond the pilot stage. We used the share price weakness as an opportunity to add to our position.

Pender Small Cap Opportunities Fund Team
September 18, 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: http://www.penderfund.com/fund/pender-small-cap-opportunities-fund/

Standard Performance Information for Pender's Equity Funds may be found here: https://www.penderfund.com
This commentary is subject to the Disclaimer found here: https://www.penderfund.com/disclaimer/