

The Pender Corporate Bond Fund had a drawdown of -1.3%¹ in September within the context of an aggressive rise in benchmark yields in every major market.

Duration-sensitive bonds, which do not form a particularly large portion of the portfolio, experienced significant price declines. Our holding in the longer dated 2052 US TIPS was down over 7%. One line of George Weston Limited perpetual preferred shares fell as much as 10%. And several other lines of a similarly sensitive nature experienced declines of 5-10%.

In addition to weakness in rate sensitive lines, idiosyncratic developments in a few credit positions also contributed to the monthly loss. In particular, the busted converts of our utility-scale battery solution holding, Fluence Energy Inc. (FLNC), fell over 19% in September as the company made a large downward revision in 2026 sales guidance due to production start-up issues. We like Fluence's market position in this growing industry, and its burgeoning order backlog, and believe this setback as a temporary problem. Convertible bond positions in the precious metals space were also weak in September.

Notwithstanding the difficult tape, the Fund did have a few bright spots that offset some of the general weaknesses. Our holdings of Graftech International Ltd. (EAF) second lien 2029 bonds rallied more than 20%, as the distressed supplier of graphite electrodes used in steel production pushed through a 30% price hike and also took action to reduce capacity by closing an underutilized facility. In our view, we see further upside in Graftech, particularly as new countervailing duties are poised to further improve the company's competitive position.

Long Duration Bonds are Unpopular – Time to Buy Some?

September's bond market was rocked by a sell-off in US Treasury bonds, with the ten-year bond yield rising by nearly half a point to 5.29%. In our view, rising inflation, a newly hawkish Fed, and concerns about supply and demand for Treasuries going forward seemed to be the key reasons for the move.

Our own positioning vis-à-vis duration has been in the low "3's" range for most of the past couple of years. The question now is whether the recent surge in higher quality bond yields justifies an attempt to try and lock in some of the higher yields available down the length of the yield curve by adding longer dated maturities.

One framework we use to consider duration moves is the level of the "term premium" which is the amount of extra yield investors demand to hold a long-term bond instead of rolling short-term debt. Currently the term premium on the 10-year Treasury is around 0.9%, which places it above the average for the past 20 years, but still well below observed levels seen during the 2013 "taper tantrum" which resulted from the Bernanke Fed's announcement of the unwinding of a portion of its financial crisis balance sheet expansion.

Another way to regard the opportunity in duration-sensitive credit is to look at "All-In Yields" which is a measure that doesn't adjust for the shape of the curve but merely considers yield to maturity. Here the picture is more favorable. Outside of the panic-driven peak in yields during the Global Financial Crisis, the Bloomberg US Corporate A-Rated Index sits toward the highest levels of the past 20 years. At 6.05%, high-quality corporate credit has rarely been as "yieldy."

We understand the narratives creating the contrary argument to owning these instruments. Persistent inflation, wars, unsustainable government debts, and so on. But sometimes prices have a way of changing narratives. And in our case, starting from owning just a small smattering

Pender Corporate Bond Fund

Manager's Commentary – September 2026

Geoff Castle



of long-dated issues, we view the overall picture in high grade, longer duration as an opportunity that is beginning to knock.

Fund Positioning

The Pender Corporate Bond Fund yield to maturity at September 30 was 6.34% with current yield of 4.94% and average duration of maturity-based instruments of 3.28 years. The Fund holds a 2.11% weight in credit instruments where positions are held for a target value lower than par, and therefore the headline yields of these securities are not included in the foregoing calculation. Likewise, near- or in-the-money convertible securities representing 6.7% of the Fund are similarly excluded from the yield and duration calculations. Cash represented 1.9% of the total portfolio at September 30.

Geoff Castle

Lead Portfolio Manager, Fixed Income

October 8, 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-corporate-bond-fund/>

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