Pender Corporate Bond Fund

Manager's Commentary – **October 2026**

Geoff Castle

The Pender Corporate Bond Fund had a total return of -1.1%[1] in October. The monthly loss was driven by several specific exposures within the Fund, while broader investment grade and high yield benchmarks experienced positive results in the period. The risk in being different from the crowd is that occasionally you can stand out in a negative way. October was a case in point.

The largest single area of weakness was technology sector holdings, which fell in sympathy with the NASDAQ. In particular, **Wolfspeed Inc. (WOLF)** convertible and straight bonds fell as semiconductor-related names were pressured. Electric vehicle-related lines were also hard hit as **Lucid Group Inc. (LCID)** and **Rivian Automotive Inc. (RIVN)** credits delivered more than 25 basis points of the monthly drawdown.

Other weakness worth noting included precious metals-related holdings; a sharp drop in a few Brazil lines following that country's presidential election; and, late in the month, **Borr Drilling Ltd. (BORR)** notes fell as the jack-up offshore rig operator experienced a tragedy resulting in the sinking of one of its 29 rigs, which included five casualties. When it rains, it pours.

Notwithstanding all the trouble, October did see progress in many areas. Over 60% of securities in the Fund had positive total returns. Most oil-related lines fared very well, with the largest contribution coming from **Northern Oil and Gas Inc. (NOG)** 2029 notes that rallied over 5%. Our holdings of converts in restaurant enterprise software specialist **PAR Technology Corp. (PAR)** gained over 10%. Several lines of perpetual preferred shares issued by **Canadian Utilities Ltd. (CU)** gained over 9%. And longer-dated investment grade holdings were strong, including a 2042 **BHP Billiton** line which gained over 3%.

What Can Go Right

We see many positive developments in the offing with several identifiable drivers of potential value baked into Fund holdings. Here's our focus list of things that can go right, though they may not necessarily deliver in the way we expect.

- Rates may move down, particularly in high-grade: In a market that has trended the wrong way for over six years, most investors are pessimistic about the prospects for investment grade credit. But there are a number of factors seemingly beginning to point the other way. First, in our view, the building boom related to AI is showing signs of fading, taking away a big inflation driver. Second, G7 governments are increasingly in an interest payments spiral, suggesting that a rate-repression playbook seems likely to be used. And finally, a great many corporate borrowers are also choking on high-cost debt. The higher-for-longer rates are creating huge uncertainty surrounding the 2027 and 2028 refinancing walls, which is evidenced by rapidly rising spreads in lower ratings bands. We believe that all this points to a good chance of a reversal in the trend of benchmark rates that could help many of the Fund's investment grade and holdings in rate-sensitive sectors.
- Key catalysts in Fund holdings appear poised to deliver: Macro is going to walk its own path, but the Fund is also poised to gain from a large number of catalysts which could create large gains in key holdings. Potential IPO/uplisting may spark meaningful gains in successfully re-organized holdings like **McDermott International Ltd. (MCDIF)** and **Cineworld Group plc**. Earnings reports that may dispel investor skepticism may drive gains in **Borr Drilling**, **Northern Oil and Gas** and **Evolent Health Inc. (EVH)**. Key customer acquisitions have the potential to lift **Par Technology**. A timely aircraft fleet disposition may result in higher recovery from the liquidation of **Spirit Airlines Holdings Inc.**

(FLYYQ). A key legal settlement of claims may drive additional return in our position in **Argentine GDP warrants**.

- Reversion-to-the mean for several deeply discounted sectors and holdings could drive further gains: We believe the Fund is full of coiled springs, holdings trading at enterprise values that approach record-low metrics on EV/sales, price-to-book etc. Low can always go lower, but our perspective is that the odds are generally in favour of re-rate towards the mean. Holdings in this category include deeply oversold miners like **First Majestic Silver Corp. (AG)** and **Denison Mines Corp. (DML)**. A rebound from "Saas-pocalypse" lows may boost returns in critical software holdings **Vertex Inc (VERX)** and **Zscaler Inc. (ZS)**. A recovery from record-low multiples in China-domiciled holdings **Alibaba Group Holding Ltd. (BABA)**, **Nio Inc. (NIO)** and **FinVolution Group (FINV)** would tighten credit spreads and boost equity-linked exposures.
- High coupon issues with deep credit support could keep on delivering: For a lot of Fund holdings, we do not even require a catalyst or a change in the markets. In our view, we just need lines that have little effective credit risk to keep on delivering. Thus, our 12% yielding position in **Rivian's** $1.25 billion first lien bonds just needs to keep existing, supported as it is by $17 billion of market capitalization which includes $5 billion in cash. Similarly, our **Trulieve Cannabis Corp. (TRUL)** 10.5% 1L notes just need to keep delivering from a starting point of being fully cash covered and enjoying cash earnings coverage of interest expenses, which currently exceeds five times.

Fund Positioning

The Pender Corporate Bond Fund yield to maturity at October 31 was 6.20% with current yield of 4.84% and average duration of maturity-based instruments of 3.39years. The Fund holds a 1.83% 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 8.9% of the Fund are similarly excluded from the yield and duration calculations. Cash represented 2.1% of the total portfolio at October 31.

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[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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