Manager's Commentary

David Barr, CFA and Sharon Wang

Fund Performance

In the second quarter, our Fund delivered a strong return of 11.0%[1], marking a significant rebound from the negative performance in the first quarter. The Fund outperformed both the Canadian and US markets, with the S&P/TSX Composite Index gaining 8.5% and the Russell 2000 Index (CAD) rising 2.7%. The muted performance of the Russell 2000 (CAD) was partly due to the depreciation of the US dollar, as the index returned 8.5% in USD terms. That said, currency effects had minimal impact on our Fund given its primary exposure to Canadian equities.

Year to date (YTD), our Fund declined by 2.0%, compared to a 10.2% gain in the S&P/TSX Composite Index and a 7.0% decline in the Russell 2000 Index (CAD). The divergence between the Canadian and US markets is primarily driven by commodity prices, as the S&P/TSX Composite Index has a greater weighting in the energy and materials sectors.

Volatility Around Tariff Uncertainty

The second quarter of 2025 was marked by significant volatility, primarily driven by the "Liberation Day" tariff announcements on April 2. The S&P 500 plunged nearly 20% from its February highs, briefly entering bear market territory. However, markets rebounded sharply following the White House's decision to pause most tariffs for a 90-day period, with the S&P 500 rallying 25% from its lows to close the quarter at a record high, up approximately 11% for Q2.

Canadian equities mirrored this recovery, with the S&P/TSX Composite Index gaining 8.5% in Q2, reaching a new all-time high by June month end. Small-cap stocks experienced a smaller resurgence; the Russell 2000 Index advanced 8% during the quarter. The volatility exhibited in markets during this period underscored the market's sensitivity to trade policy developments, as initial uncertainty gave way to optimism amid easing tensions and robust corporate earnings.

Key Investment Themes

Our investment focus continues to be anchored around four transformative themes that we believe are shaping the future of markets and will be central to driving long-term returns: Artificial Intelligence, Energy Transition, Enterprise Software and Geopolitics.

The rapid advancement and adoption of AI technologies across sectors is unlocking new efficiencies, redefining competitive moats and creating outsized growth opportunities, particularly for companies with proprietary data and scalable platforms. In parallel, the global push toward decarbonization is accelerating investment in next-generation energy infrastructure, storage solutions and clean technology enablers, offering compelling tailwinds for innovators in the Energy Transition space. Enterprise Software remains a core pillar of digital transformation, with demand for automation, cloud-native systems and cybersecurity continuing to grow amid transformative shifts driven by AI. Lastly, Geopolitical Dynamics—including shifting supply chains, defense modernization and regulatory bifurcation are reshaping global capital flows and industry structures. Together, these themes guide our

[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 Pender's Equity Funds may be found here: https://www.penderfund.com/equity/*

bottom-up portfolio construction and reflect our conviction as to where durable value creation will emerge in the decade ahead.

Contributors and Detractors

Companies aligned with the four structural trends noted above have generally performed well. In the second quarter, our Energy Transition holdings—**5N Plus Inc. (TSX: VNP)**, **Tantalus Systems Holdings Inc. (TSX: GRID)** and **Hammond Power Solutions Inc. (TSX: HPS.A)**—were among the top five contributors to Fund performance, collectively adding more than 400 basis points.

Conversely, our put options on the Nasdaq index and Russell 2000 index were among the largest detractors in the second quarter, reflecting the sharp market reversal over the period. As noted in our Q1 commentary, we initiated small positions in put options on the Nasdaq and Russell 2000 indices as a strategic hedge. These positions contributed positively in the first quarter but detracted in Q2 as markets rallied. Given that this is our first time incorporating index puts into the strategy, we believe it was prudent to maintain modest position sizes.

Portfolio Activity

One notable addition to the portfolio is **Coveo Solutions Inc. (TSX: CVO)**, which is the largest position in our Fund. Coveo is an AI-powered enterprise search platform that delivers highly relevant search experiences across websites, e-commerce, customer service and workplace applications. We have followed the Company closely over time and recently observed a reacceleration in bookings growth alongside meaningful enhancements to its leadership team, including the return of its founder as CEO and the appointment of a new CRO with a strong track record. We believe Coveo is at an inflection point, poised to deliver both growth and profitability. During the quarter, we participated in a block trade that removed an overhang from a large private equity seller, allowing us to invest at a discount to market value. In our view, this represents a compelling opportunity to gain exposure to a Canadian AI company trading at an attractive valuation.

We exited several positions during the quarter, including **Lightspeed Commerce Inc. (TSX: LSPD)**. We initiated the position in Q4 of 2024 based on the thesis that the company could become a take-private candidate. However, following the conclusion of its strategic review—without a sale—we reassessed our view. Given the ongoing challenges in reigniting growth in the software segment and a less compelling return profile, we chose to exit the position.

Outlook

In this fast-moving environment, shaped by shifting macro headlines, we remain anchored to our investment process. Our focus continues to be on identifying opportunities with attractive risk-reward profiles and backing high-quality businesses that are well positioned to navigate uncertainty.

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