

# **Pender US Small/Mid Cap Equity Fund**

For the period ended December 31, 2024

Annual Management Report of Fund Performance

This annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the annual financial statements at your request, at no cost, by calling toll-free 1-866-377-4743, by writing to us at 1830 - 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by visiting our website at [www.penderfund.com](http://www.penderfund.com) or the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca).

You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

# Pender US Small/Mid Cap Equity Fund

For the period ended December 31, 2024

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## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The objective of the Pender US Small/Mid Cap Equity Fund (the “Fund”) is to achieve capital growth over the long-term by investing primarily in U.S. securities. The Fund will focus on businesses with securities that trade at favourable prices and have the potential to compound value over the long term by reinvesting capital without taking on undue business or balance sheet risk. The Fund will primarily invest in small and mid-cap companies in the U.S.

PenderFund Capital Management Ltd. (“Pender”) is the Manager and Portfolio Advisor of the Fund.

### Risks

The risks of investing in the Fund are outlined in the Simplified Prospectus dated November 15, 2024. There were no significant changes to the Fund’s objectives and strategies that affected its overall level of risk during the period.

The nature of the Fund’s investing activities exposes it to various risks, including but not limited to inflation and the impact of central bank measures on the economy, the state of M&A markets, geopolitical and other global events, factors that are beyond the Fund’s control.

Future developments in these challenging areas could impact the Fund’s results and financial condition and the full extent of that impact remains unknown. Developing reliable estimates and applying judgment continue to be substantially complex. Actual results may differ from those estimates and assumptions.

### Results of Operations

The Pender US Small/Mid Cap Equity Fund commenced operations on November 29, 2024. As at December 31, 2024 the net assets of the Fund were \$277,497, representing net unitholder purchases of \$284,382 (including seed capital of \$150,000) of Fund units and \$6,885 attributable to negative investment performance. Because the Fund has been in operation for less than one year, past performance data is not available for disclosure.

For the period ended December 31, 2024, the Fund was approximately 86.9% invested in the United States, other assets less liabilities were 3.6% and the Fund’s cash position was 9.5%. The Fund’s investment portfolio is concentrated and not diversified in the conventional sense. The Fund’s top 10 holdings account for 44.4% of the Fund’s net assets at the end of the period. This concentration may lead to varied results over any given period.

The following comments and the comments under “Recent Developments” reflect the views of the portfolio management team and are based on information as at the end of the year. Please read the caution regarding forward-looking statements located on the last page of this document.

### Recent Developments

Equity markets performed well in 2024, driven by easing inflation, accommodative monetary policy, and resilient financial conditions. Improving liquidity and declining bond yields also supported risk appetite in equities. Market sentiment remained positive across most asset classes, with high-yield spreads finishing the year near decade lows at 292 basis points, reflecting investor confidence. The strength in financial markets was supported by financial conditions that remained near all-time highs, a pattern that has historically coincided with equity market strength.

While core Consumer Price Index has likely peaked this cycle, this cleared a path for more accommodative monetary policy from central banks. The US Federal Reserve implemented a series of rate cuts in the second half of the year, supporting equity markets.

As 2025 begins, equities enter the year with optimism but also potential risks. Elevated valuations in large caps, market concentration and elevated expectations in some key index names could make the overall equity market vulnerable to negative surprises and volatility as we enter the year. Potential headwinds could also include trade policies, particularly tariffs, which could weigh on corporate earnings, and fiscal challenges in developed economies as government deficit spending remains high.

Despite these near-term uncertainties, long-term trends remain supportive. US productivity growth continues to outpace other developed economies, providing a foundation for sustained equity market strength. The potential for further tax cuts also supports earnings in corporate America. Investors remain focused on identifying opportunities that align with multi-year growth themes.

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## Related Party Transactions

The Fund pays management and administration fees to the Manager for management and portfolio advisory services (see “Management Fees”).

As at the end of the period, parties related to the Manager collectively held 61% of the Fund’s units.

## Management Fees

The Fund pays management and administration fees calculated as a percentage of the net asset value of each respective class. The Management Expense Ratio (“MER”) before applicable taxes such as GST or HST for each class does not exceed certain levels as set out in the Fund’s offering documents. The fees are calculated at the close of business on each valuation day and are paid monthly. In exchange for the administration fee, the Manager pays the operating costs of the Fund.

Management fees are used by the Manager, in part, to pay sales commissions, trailer fees, marketing costs and other associated distribution costs relating to the sale of units of the Fund.

Such expenses represented approximately 18% of the management fees paid by the Fund to the Manager for the period.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund’s financial performance for the period ended December 31, 2024.

### Fund's Net Assets Per Unit (a)

	2024 (\$)
<b>Class A</b>	
Net Assets, beginning of period (b)	10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.02
Total expenses	-
Realized gains (losses)	-
Unrealized gains (losses)	(0.31)
<b>Total increase (decrease) from operations (c)</b>	<b>(0.29)</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.01)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total distributions (c), (d)</b>	<b>(0.01)</b>
<b>Net Assets, end of period</b>	<b>9.70</b>

# Pender US Small/Mid Cap Equity Fund

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## Fund's Net Assets Per Unit (a) (cont'd)

	2024 (\$)
<b>Class E</b>	
Net Assets, beginning of period (b)	10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.02
Total expenses	-
Realized gains (losses)	0.01
Unrealized gains (losses)	(0.33)
<b>Total increase (decrease) from operations (c)</b>	<b>(0.30)</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.01)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total distributions (c), (d)</b>	<b>(0.01)</b>
<b>Net Assets, end of period</b>	<b>9.70</b>
<b>Class F</b>	
Net Assets, beginning of period (b)	10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.02
Total expenses	-
Realized gains (losses)	0.01
Unrealized gains (losses)	(0.38)
<b>Total increase (decrease) from operations (c)</b>	<b>(0.35)</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.01)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total distributions (c), (d)</b>	<b>(0.01)</b>
<b>Net Assets, end of period</b>	<b>9.70</b>

# Pender US Small/Mid Cap Equity Fund

For the period ended December 31, 2024

## Fund's Net Assets Per Unit (a) (cont'd)

	2024 (\$)
<b>Class O</b>	
Net Assets, beginning of period (b)	10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.02
Total expenses	-
Realized gains (losses)	-
Unrealized gains (losses)	(0.31)
<b>Total increase (decrease) from operations (c)</b>	<b>(0.29)</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.01)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total distributions (c), (d)</b>	<b>(0.01)</b>
<b>Net Assets, end of period</b>	<b>9.70</b>

(a) This information is derived from the Fund's audited annual financial statements as at December 31 for the period stated, prepared under IFRS Accounting Standards.

(b) The Fund's information for each class is from the date the Fund commenced operations: November 29, 2024.

(c) Net assets per unit and distributions per unit are based on the actual number of units for the relevant Fund class outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding during the period.

(d) Distributions were paid in cash and/or reinvested in additional units of the Fund.

## Ratios and Supplemental Data

	2024
<b>Class A</b>	
Total net asset value (\$000s) (a)	5
Number of units outstanding (a)	500
Management expense ratio (b)	0.00%
Management expense ratio before absorptions (c)	2.37%
Trading expense ratio (d)	0.35%
Portfolio turnover rate (e)	1.18%
Net asset value per unit (\$) (a)	9.70
<b>Class E</b>	
Total net asset value (\$000s) (a)	116
Number of units outstanding (a)	11,949
Management expense ratio (b)	0.00%
Management expense ratio before absorptions (c)	0.33%
Trading expense ratio (d)	0.35%
Portfolio turnover rate (e)	1.18%
Net asset value per unit (\$) (a)	9.70
<b>Class F</b>	
Total net asset value (\$000s) (a)	26
Number of units outstanding (a)	2,638
Management expense ratio (b)	0.00%
Management expense ratio before absorptions (c)	1.28%
Trading expense ratio (d)	0.35%
Portfolio turnover rate (e)	1.18%
Net asset value per unit (\$) (a)	9.70

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## Ratios and Supplemental Data (cont'd)

	2024
<b>Class O</b>	
Total net asset value (\$000s) (a)	131
Number of units outstanding (a)	13,512
Management expense ratio (b)	0.00%
Management expense ratio before absorptions (c)	0.00%
Trading expense ratio (d)	0.35%
Portfolio turnover rate (e)	1.18%
Net asset value per unit (\$) (a)	9.70

(a) This information is derived from the Fund's audited annual financial statements as at December 31 for the period stated, prepared under IFRS Accounting Standards. The Fund's information for each class is from the date the Fund commenced operations: November 29, 2024.

(b) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the period and is expressed as an annualized percentage of daily average net asset value during the period. The MER may vary from one class of units to another because of differences in the applicable management fees and certain fees and expenses may have been absorbed by the Manager which would otherwise be paid by the Fund.

(c) The Manager of the Fund has agreed to absorb sufficient expenses of the Fund, as necessary, so that the annual MER before applicable taxes such as GST or HST will not exceed certain limits as outlined in the Fund's Simplified Prospectus. The amount of expenses absorbed is at the discretion of the Manager as set out in the Fund's Simplified Prospectus, and the Manager may in its sole discretion cease to absorb expenses.

(d) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(e) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. In general, the higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

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## Past Performance

The past performance for the Fund is not available for disclosure because it has been in operation for less than one year. The Fund commenced operations on November 29, 2024.

## Summary of Investment Portfolio

The largest holdings of the Fund as at the end of the period and the major asset classes in which the Fund was invested are indicated below. Where the Fund has less than 25 holdings, the table will show the Fund's entire investment portfolio. The investment portfolio may change due to ongoing portfolio transactions. An update of the Fund's summary of investment portfolio as at the end of each calendar quarter is available from the Manager. Please see the front page of this document for information about how this can be obtained.

## Top 25 Holdings

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	% of Net Assets
Jabil Inc.	5.1
Hexcel Corp.	4.8
Molina Healthcare Inc.	4.7
Webster Financial Corp.	4.7
Fidelity National Financial Inc.	4.6
Fluor Corp.	4.5
Antero Resources Corp.	4.4
Brookfield Business Partners L.P.	3.9
ERO Copper Corp.	3.9
Genpact Ltd.	3.8
Harmonic Inc.	3.8
DigitalBridge Group Inc.	3.7
Dollar Tree Inc.	3.7
LSI Industries Inc.	3.7
Kennedy-Wilson Holdings Inc.	3.6
Markel Corp.	3.6
Rambus Inc.	3.6
VeriSign Inc.	3.1
Copa Holdings SA, Class 'A'	2.9
The Estee Lauder Companies Inc., Class 'A'	2.8
Itron Inc.	2.8
XPEL Inc.	2.7
M/I Homes Inc.	2.5

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## Composition of the Portfolio

	% of Net Assets
<b>Equities</b>	
Industrials	23.6
Information technology	18.5
Insurance	8.2
Consumer staples	6.4
Consumer discretionary	5.2
Banks	4.7
Health care	4.7
Energy	4.4
Materials	3.9
Financial services	3.7
Real estate	3.6
<b>Total equities</b>	<b>86.9</b>
<b>Total investments</b>	<b>86.9</b>
Cash (Bank overdraft)	9.5
Other assets less liabilities	3.6
<b>Total net assets</b>	<b>100.0</b>



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## **Caution Regarding Forward-Looking Statements**

This report contains forward-looking statements about the Fund, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies or prospects, and possible future Fund action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Fund and economic factors, among other things.

Forward-looking statements are not a guarantee of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these digressions, including, but not limited to: geopolitical events, general economic conditions, political and market factors around the world; interest rates and inflation; fiscal and monetary policy; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, except as may be required under applicable law, the Manager has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.



**Pender US Small/Mid Cap Equity Fund**

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