PENDER

Forward thinking. Finding value.

The Pender Edge

What factors give us an advantage?

We take a private equity approach to public markets
We research potential holdings as if we were buying an ownership stake in the business, not just the stock. We take a deep look at financials, risk factors, the industry, competition and the management team. We also determine how we can exit the position by estimating a present and projected range of intrinsic value.

We are investors not marketers
We are a private, independent, employee-owned firm and as such our priority is our stewardship of the capital entrusted to us by investors. We have an investment-led culture and measure our success by fund performance, not growth of assets under management. Our Portfolio Managers and Investment Team invest alongside clients in our funds.

The investment team advantage
The Pender Investment Team is fully integrated and shares ideas across the capital structure, geographies and cap size for the benefit of unit holders. We are unique in not sub-dividing the team into equity or fixed income silos but maintaining a 360° view on all investments. The emphasis on deep fundamental analysis and building in a "margin of safety" by *both* the equity and fixed income teams means that investment candidates are evaluated from all tiers of the capital structure. There are instances where Pender is invested in both equity and fixed income securities of the same company.

We are value investors
Being a value investor really gives you the opportunity to buy low and sell high using the fundamentals of the business as the basis of analysis and selection. It is our strong belief that a value investing strategy will outperform over time. Our rigorous fundamental analysis helps us estimate the intrinsic value of a company today and gives us the information to project its potential intrinsic value in the future. Central to our investment process is our aim to buy securities for less than their intrinsic value, with a margin of safety. This shifts our focus to out-of-favor securities with long growth runways where our investment can compound at a steady rate.

We are contrarian investors
We look at inefficient, unloved parts of the market that are currently over-looked. Here we find businesses that are unfollowed, misunderstood and temporarily mispriced by the market, but which fit into our "circle of competence". We are independently minded and trust in our analytical process to generate our own "best ideas" instead of allowing the "street", the "hype" or the "flows" to drive investment decisions.

We are patient opportunists
We are not in a rush to buy or to sell holdings. Having completed our business analysis we are prepared to wait for market, industry or business conditions to provide us with our target entry point, allowing us to purchase at a discount to intrinsic value, building in a margin-of-safety. At the core of several portfolios are stocks we call "Compounders" and the aim is to hold these for as long as our investment thesis indicates. If our research continues to tell us to "hold" then we may by-pass initial sell-price targets in favour of longer term gains.

We are active managers
Our stock selection and performance cannot be achieved by anything other than a rigorous research process and active portfolio management. We consider each investment from the perspective of a business owner, undertaking deep fundamental analysis before an investment, monitoring our investment thesis during ownership and making disciplined portfolio optimization and sell decisions based on our ongoing due diligence. In order to achieve our goal of superior risk-adjusted returns over the index we cannot sit back and "be" the index. By definition we must be different to the index and our portfolios are almost 100% uncorrelated to various indices, which we confirm using Active Share[1].

We have an edge
Analytical – we look deeper into the fundamentals and we look differently at other publicly available information to gain an informational advantage. A missed quarter is a short term set back from our deeply researched perspective on the company, but the ensuing dip in share price offers us the perfect opportunity to increase our holding.

Behavioural – we know ourselves and are inversely emotional: when markets go down we get more excited as valuations approach our target entry points for watchlist ideas; when markets go up we get more cautious as valuations become inflated and unsustainable, surpassing our estimation of intrinsic value.

Organisational – we don't put restrictions on our portfolios or handcuffs on our managers; we are small and nimble operators which allows us to take advantage of unique or limited opportunities.

[1] *Active share provides a measurement of whether or not a portfolio "hugs" an index or not, which is an indication of how actively a portfolio is being managed. An active share of 0% is a portfolio that precisely matches the index or contains many of the stocks held in the index and can be considered to be passively managed. A portfolio with an active share of more than 60% can be considered to be actively managed as its holdings mirror the index to a far lesser extent – a 60% (or more) difference. This indicates that the portfolio manager is managing the fund independently of the index, finding his or her own investment ideas to put into the fund.*