

# PENDER PENDER

VALUE FUND

SMALL CAP OPPORTUNITIES FUND

## THE MANAGER'S COMMENTARY – OCTOBER 2020

Fellow Unitholders,

Stock markets dipped again in October after a broad sell off in September. The S&P 500 (CAD) index lost 2.6% and the S&P/TSX Composite index was down 3.1%. While markets were in negative territories, both the Pender Value Fund and Pender Small Cap Opportunities Fund generated positive returns during the month with Pender Value Fund up 1.3% and Pender Small Cap Opportunities Fund up 4.7%<sup>1</sup>.

### Portfolio updates

We were unusually active in October repositioning our portfolios. We continue to try and allocate more of our capital to well priced growing companies that have tailwinds and are being driven by how the world has changed. At a high level we added seven new names to the Pender Small Cap Opportunities Fund and six new names to the Pender Value Fund. We sold out of four names completely in the Pender Small Cap Opportunities Fund and nine in the Pender Value Fund. We also rebalanced within the portfolios when volatility presented the opportunity.

The new names and increased weightings in the portfolio were heavily skewed to the technology space, while the exited and/or reduced names tended to be more traditional businesses, or special situations that had played out or [Close the Discount](#) names where the discount had closed.

In the month of October, two of our key holdings: MAV Beauty Brands Inc. (MAV) and Sangoma Technologies Corporation (STC) were notable contributors to both the Pender Value Fund and Pender Small Cap Opportunities Fund. MAV has demonstrated strong execution over the past several quarters and is expected to report earnings in mid November. Sangoma reported a solid close to FY20 and we believe that the stage is set for another year of consistent performance. I recently interviewed [Bill Wignall, CEO of Sangoma](#), on [The Pender Podcast](#) and we covered a range of topics from Sangoma's growth journey to its M&A formula. Warrants of good natured Products Inc. (GDNP) and Just Energy Group Inc. (JE), emerging from restructuring, were also among the top contributors for Pender Small Cap Opportunities Fund, while Stitch Fix, Inc. (SFIX) was a top contributor for Pender Value Fund. It is worth noting that Just Energy was a crossover holding between the Pender Small Cap Opportunities Fund and Pender Corporate Bond Fund. This is another great example of how cross pollination between investment teams within Pender has led to profitable returns. By leveraging the bond team's expertise in this name, we participated in the rights issue during the company's re-capitalization and generated positive performance.

On the flip side, BBTV Holdings Inc. (BBTV) was one of the notable detractors for both funds. Unfortunately, BBTV, an ad-tech company which provides end-to-end solutions to help content owners better distribute and monetize their contents, IPO'ed on the toughest day in an already difficult week, but has already started bouncing back. Ebix, Inc. (EBIX) and Par Technology Corporation (PAR) were also among the key detractors for both funds. We tend not to focus too much on short term price fluctuations and we still like the business fundamentals and the management teams of these two companies.

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<sup>1</sup> F class units; PenderFund

The news changes every day, business fundamentals do not. If the news flow continues to drive volatility, prices will move, but we will continue to focus on the fundamentals and use these price fluctuations to our advantage.

### **When markets are like keg parties**

University was great. I may have even gone to the odd keg party while living in residence at UBC. The great thing about keg parties is that when you run out of beer, you know it's time to go home. In the markets today it sure feels like we're at a keg party and the bartender (government stimulus) has no shortage of kegs to pull out and keep the party going. Despite the euphoria, we continue to find very interesting, well priced opportunities to invest in.

*David Barr, CFA*

*November 10, 2020*



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PenderFund Capital Management Ltd.

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*Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in net asset value and assume reinvestment of all distributions and are net of all management and administrative fees, but do not take into account sales, redemption or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. This communication is intended for information purposes only and does not constitute an offer to buy or sell our products or services nor is it intended as investment and/or financial advice on any subject matter and is provided for your information only. Every effort has been made to ensure the accuracy of its contents. Certain of the statements made may contain forward-looking statements, which involve known and unknown risk, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.*

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