



## THE MANAGER'S COMMENTARY – OCTOBER 2021

Fellow unit holders,

In the month of October, an appetite for risk returned to equity markets and the Pender Value Fund posted a gain of 2.4%<sup>1</sup> in the month. This result trailed large cap indices such as the TSX Composite Index which gained 5.0% and the S&P 500 (CAD) which gained 4.6% in October, but outperformed the BMO Small Cap Index (0.0%) and the Russell Microcap Index in Canadian dollars (-0.1%).

### Portfolio Update

During the month, we trimmed some small non-core positions and increased our weights in Stitch Fix Inc. (NASDAQ: SFIX), Dye and Durham Limited (TSX: DND) and Twitter, Inc. (NYSE: TWTR). We also added Sylogist Ltd. (TSX: SYZ) to the portfolio as a new position. Sylogist, a public sector ERP (Enterprise Resource Planning) software provider, has been increasing its internal investments to drive organic growth while continuing to make acquisitions under the leadership of a new management team. We believe the stock is reasonably priced at this level leading to an attractive risk/reward profile.

During the month, we also sold our position in Athabasca Oil Corporation 2022 convertible debentures following the news of their refinancing. We believe this 'closed the discount' to where we valued the company and we found better opportunities to redeploy the capital.

Top contributors for the Fund include Fannie Mae preferred shares, KKR & Co. Inc. (NYSE: KKR), and Sangoma Technologies Corporation (TSX: STC). The Fannie Mae preferred shares, which began bouncing back in September from severely depressed levels, rose further in October on renewed optimism that the conservatorship of Fannie Mae will end. KKR performed well as they continued to demonstrate strong fundraising and deal momentum across their investment platform. In their most recent earnings call the company highlighted that through the first nine months of 2021, they have raised over twice the assets that they raised in all of 2020. These are strong leading indicators and positive trends for the future earnings power of the business as these assets are deployed and KKR's fees are earned. On the heels of a great quarter and solid guidance for next fiscal year, Sangoma completed a share consolidation and graduated to the TSX from TSX Venture exchange. We believe this is a positive development for the company given the size of its revenue, which is now over C\$250M.

BuildDirect.Com Technologies Inc. (TSXV: BILD), an online retailer of floor and building materials, was a key detractor for the Fund. The company announced in October that its CEO will transition to Chairman of the Board for personal reasons and the company is searching for a new CEO. BuildDirect's share prices have been on a downward trajectory since going public in August. We are disappointed by the sudden change of management, but we still believe the company has the right strategy and a long runway.

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<sup>1</sup> 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.

Looking forward, we expect to see some pressure in companies trading below their 52-week highs as we head into tax loss selling season. Following a period of very strong equity market returns across the board, there are significant capital gains that investors will be looking to offset in their portfolios. We are keeping dry powder available to take advantage of this annual phenomenon, which may be more pronounced this year. We have our pencils sharpened and will look for opportunities to take advantage of this selling pressure in well managed businesses where we see a disconnect to long term intrinsic value.

*David Barr, CFA and Sharon Wang*  
*November 15, 2021*



**PENDER**  
PenderFund Capital Management Ltd.

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