



EMERGING MARKETS IMPACT FUND

THE MANAGER'S COMMENTARY – APRIL-JUNE 2022

The Pender Emerging Markets Impact Fund began operating in April and this represents our first monthly commentary.

We are happy to report that despite the heightened levels of volatility, the Fund has managed to take advantage of many opportunities to buy strong emerging markets businesses at low valuations.

At the end of May, the Fund had 17 holdings across a variety of emerging market jurisdictions with exposure in sectors such as communication services, banks, diversified financials, information technology, consumer staples and consumer discretionary. Holdings in these sectors represent 56% of the Fund's mandate. From a geographic perspective, our largest weights are in China, India and Indonesia and these countries make up about 39% of the portfolio. Our investment strategy is not based on targeting specific sectors or country weights. Weightings are a direct outcome of our bottom-up security selection process. The resulting portfolio represents a broader and more diversified exposure than the benchmark, MSCI Emerging Markets Index, which we feel is a better approach to the vast universe of investment opportunities in emerging markets.

We consider the companies that we own to be long-term compounders, with business models that have and, we believe, will continue to exhibit sustainable economic profitability over time. We are looking at an investment horizon of 3-5 years and are excited about the opportunities we are finding to build a portfolio of companies that we believe are wealth creators that can compound over time.

The positioning of the Fund also derives from our research, which shows us that despite the uncertain macro trends globally, many emerging market countries have far better fundamentals than the headlines would imply. To begin with, the interest rate cycle is far more advanced and, in certain economies, already receding. What this means is that while inflation will still be felt in the months to come, higher rates have led to more conservative demand behaviours in many of these countries. In addition, many countries are well-endowed with natural resources and higher prices have led to better revenues. All told, in our view, the macro economic picture, while still uncertain on the inflation front, has a better balance and can be better handled overall in key emerging economies.

The current trend of US interest rate increases, as well as the recently announced reduction of quantitative easing are both needed to better control the significant liquidity still flowing in the economy. The psychological outcome of wobbly markets and higher rates is already containing demand. At the same time, we are seeing a response from the supply side. And while we subscribe to the notion that inflation will reach higher-than-anticipated levels in the near term, we are not likely to see inflation expectations get carried away by investors. With inflation likely peaking in the short term and markets already beginning to discount slower economic growth, this bodes well for the global macro picture and in particular, for emerging economies.

The Russian aggression against Ukraine has pushed commodity prices higher and exacerbated inflationary trends around the world. This has led to outperformance in some emerging market economies tied to commodities. Many of those, such as Chile, Peru, Brazil and Indonesia, have seen their equity markets outperform and are positive year-to-date, even in USD terms. A few others such as

South Africa and Mexico are flat. Stronger currencies, gains in certain specific materials and local financial companies are propelling these economies.

As life is dynamic in every single one of the 35 economies in our potential investment universe, we are already seeing important and strategic decision-making at play from well-managed companies operating in these economies. Most investors tend to pay attention to top-down headlines, while missing important turning points at the company level. As you may know, bottom-up investing forms the basis of our investment process, which has been tried and tested over nearly 30 years. Thus, we look forward to continuing to report on our progress in the months to come.

Patricia Perez-Coutts, CFA and Aman Budhwar, CFA
June 28, 2022

PENDER
PenderFund Capital Management Ltd.



The Pender Emerging Markets Impact Fund was launched in April 2022. Standard Performance Information for this Fund will be available one year after inception. More information on the Fund can be found here: <https://www.penderfund.com/pender-emerging-markets-impact-fund/>

This commentary is subject to the Disclaimer found here: <https://www.penderfund.com/disclaimer/>

© Copyright PenderFund Capital Management Ltd. All rights reserved. June 2022.