

Manager's Commentary

Amar Pandya, CFA

Dear Unitholders,

The Pender Alternative Arbitrage Fund and the Pender Alternative Arbitrage Plus Fund were 1.0% and 0.8% respectively¹ in October 2025 while the HFRI ED: Merger Arbitrage Index (USD) returned 0.1%².

Portfolio Update

October saw a flurry of M&A activity allowing the Fund to initiate positions in 18 new merger deals while 16 deals held within the Fund closed. Small and mid-cap transactions continued to dominate our deal flow, reflecting both the accelerating pace of M&A activity and the favourable risk-reward dynamics inherent in shorter-duration, lower-regulatory-risk transactions. At the end of October 2025, the Fund held 45 active investments in small-cap deals under \$2 billion, 21 of which were valued at under \$1 billion. A notable contributor during the month was Fund holding **MEG Energy (TSX: MEG)**, which became the target of a competitive bidding process prompting strategic acquirer, **Cenovus Energy (TSX: CVE)** to return with an offer of \$29.50 followed by an additional sweetened bid of \$30.00. The emergence of a bidding war, particularly within Canada's energy sector where consolidation dynamics have strengthened meaningfully is an encouraging signal of future M&A potential. This reinforces a broader trend we continue to observe across our small-cap universe with discounted valuations, improved financing conditions, and strategic imperatives for scale creating fertile ground for competitive auctions, raising the probability of bump outcomes across select portfolio holdings. SPAC activity also contributed positively, with the Fund benefiting from its position in **Crane Harbor Acquisition Corp. (NASDAQ: CHAC)** which announced a merger with Xanadu Quantum Technologies Inc., an emerging player in next-generation quantum computing architectures. The transaction was well received by the market, with Crane Harbor's units and shares trading firmly following the announcement. With strong deal flow, multiple positive idiosyncratic catalysts, and healthy conditions across both merger and SPAC arbitrage, the Fund remains fully invested across a diversified portfolio of active deals. The breadth and depth of opportunities we are observing reinforce our constructive outlook heading into year-end, as acquirers continue to demonstrate confidence through strategic activity and bidding dynamics that reward disciplined participation by arbitrage investors.

¹ All Pender performance data points are for Class F of the funds. Other classes are available. Fees and performance may differ in those other classes. Standard performance information for the funds can be found here: <https://penderfund.com/fund/pender-alternative-arbitrage-fund/>

² The benchmark for both funds is the HFRI ED: Merger Arbitrage Index (Hedged to CAD).

M&A Market Update

Global M&A activity extended its rebound into the final quarter of the year with a total of \$3.5 trillion of deals announced in the first ten months of 2025, a 38% increase versus the same period in 2024. Technology remains the largest contributor to global deal value as buyers pursue scale, AI capabilities, and cloud-adjacent infrastructure. Financials, energy and power, and healthcare also feature prominently as corporates and sponsors reposition portfolios for changes in interest rates, shifting tariff regimes, and the energy transition. There continues to be a widening breadth of M&A activity across industries, in real assets, Rayonier Inc. (NYSE: RYN) and PotlatchDeltic Corporation (Nasdaq: PCH) agreed to an \$8.2 billion all-stock merger that will create one of North America's largest publicly listed timberland and wood-products platforms, combining roughly 4.2 million acres of timberlands with vertically integrated manufacturing. Private equity sponsors and strategic healthcare buyers also featured prominently in late-October activity. A consortium led by Blackstone and TPG agreed to acquire women's-health med-tech leader Hologic Inc (NASDAQ: HOLX) in a \$18.3 billion leveraged buyout, one of the largest healthcare take-privates of the year and a clear signal of sponsor appetite for high-quality, cash-generative assets.

The shift in the US regulatory landscape under the new administration has meaningfully accelerated consolidation among regional and mid-sized banks. Trump-era regulators have moved quickly to clear bank mergers, with approval timelines compressing to roughly four months, the fastest pace in more than three decades, compared to nearly seven months under the prior administration³. Faster and more predictable reviews have removed one of the most persistent impediments to regional bank M&A, enabling a wave of strategically motivated combinations and scale-driven transactions across the industry. For merger arbitrage investors, shortened durations directly translate into higher annualized returns as capital recycles more quickly through the portfolio, while reduced regulatory overhang lowers idiosyncratic risk and supports tighter deal spreads. For merger arbitrage investors, the combination of record or near-record mega-deal activity, a North American market that continues to lead globally, and a more predictable and accommodative regulatory environment, particularly for domestically focused transactions, will likely continue to generate a broad and diversified universe of opportunities. While headline volumes are skewed toward large-cap transactions, the underlying pipeline in small and mid-cap deals remains active and, in our view, offers more attractive risk-adjusted spreads and less crowded positioning than the very large, highly syndicated transactions that dominate the news flow.

SPAC Market Update

There were 14 SPAC IPOs in October raising over \$2.3 billion of capital with five deals closed during the month⁴. At the end of October there were 261 active SPACs in the market with a total value of \$33.9 billion, with 163 SPACs actively searching for deals. At the end of the

³ [*Financial Times*, November 2, 2025](#)

⁴ SPAC Research

month, SPACs searching for targets were trading at a discount-to-trust value, which provided a yield-to-maturity of 3.68%⁵. The steady flow of new SPAC IPOs, alongside the liquidation of older SPACs approaching maturity, has continued to shift the opportunity set toward a younger, more dynamic mix of SPACs. As a result, traditional yield-to-maturity measures have become a less reliable indicator of prospective returns. Instead, the more meaningful source of upside in today's SPAC market comes from the embedded optionality across the common shares, warrants and rights that typically comprise a SPAC unit. With the cash held in trust providing a well-defined floor, SPACs remain a compelling combination of downside protection and asymmetric upside. In our view, this balance of capital preservation and optionality makes the strategy structurally attractive in the current environment.

Outlook

The recent spike in volatility driven by the US government shutdown, renewed uncertainty around whether the Federal Reserve will be in a position to cut rates in December and an increasingly fragile geopolitical backdrop has added another layer of complexity to an already unsettled market environment. Despite these crosscurrents, M&A markets have remained notably resilient. Dealmakers continue to press ahead, supported by strong corporate balance sheets, abundant access to financing, and a regulatory landscape that has been constructive for both strategic and financial buyers. The steady cadence of new deal announcements, alongside healthy activity in small and mid-cap mergers, reinforces our view that the underlying fundamentals of the M&A cycle remain firmly intact. These conditions continue to provide a supportive backdrop for both merger arbitrage and SPAC arbitrage. The strategy's event-driven nature and reliance on deal-specific milestones rather than broad market direction help insulate returns from the macroeconomic uncertainty dominating headlines. The short duration of typical arbitrage positions allows capital to be recycled frequently, reducing exposure to prolonged market drawdowns while enabling us to take advantage of spreads that widen during periods of stress. Similarly, SPAC arbitrage continues to offer a compelling blend of principal protection and optionality.

With traditional asset classes exhibiting rising correlations and valuations in many areas of the market still elevated, arbitrage strategies remain a differentiated source of non-correlated and absolute returns. For investors seeking a portfolio diversifier with a strong emphasis on capital preservation, risk control, and consistency, merger and SPAC arbitrage continue to offer an appealing solution. We remain constructive on the opportunity set through the balance of the year and into 2026, supported by a deep pipeline of actionable deals and a market environment that continues to reward disciplined, event-driven investing.

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⁵ <https://www.spacinsider.com/>