

Manager's Commentary

Amar Pandya, CFA

Dear Unitholders,

The Pender Alternative Arbitrage Fund and the Pender Alternative Arbitrage Plus Fund were both up 0.3%¹ in January 2026 while the HFRI ED: Merger Arbitrage Index (USD) returned 0.1%².

M&A Market Update

Global M&A opened 2026 with a strong start, with over \$310 billion of announced global deal value in January. The tone of activity remains consistent with the 2025 inflection with deal value being driven by large, strategic transactions, while broader volumes are improving. This follows a 2025 backdrop in which global dealmaking reached over \$4.5 trillion, one of the strongest years on record, supported by improving financing conditions, abundant credit and an easing regulatory environment. Strategic acquirers continue to set the pace early in the year, particularly where technology investment in AI infrastructure, software and cybersecurity as well as scale efficiencies are becoming determinative competitive advantages. Leading investment banks, consultants and advisors broadly characterize the 2026 environment as supportive for bigger and bolder transactions, with management teams increasingly willing to pursue scope and capability driven acquisitions as policy and capital-markets uncertainty recedes from prior peaks. Private equity is also positioned to contribute more meaningfully as sponsors retain substantial dry powder and are benefiting from a highly accessible debt market.

The regulatory environment remains a constructive tailwind for M&A activity as US regulatory agencies continue to adopt a more pragmatic and process-oriented approach to antitrust review. While enforcement scrutiny has not disappeared, particularly in highly concentrated or politically sensitive sectors, there is greater visibility around timelines, remedies, and negotiated outcomes, allowing acquirers to underwrite regulatory risk with more confidence. Dealmakers are increasingly structuring transactions with proactive divestiture packages or behavioral commitments where appropriate, reducing binary outcomes and improving overall completion certainty. This shift toward engagement rather than reflexive opposition has meaningfully lowered headline risk for large and complex transactions, reinforcing boardroom confidence and supporting a healthier pipeline of strategic combinations.

Looking ahead, we believe the M&A backdrop remains constructive: corporate balance sheets are healthy, sponsor capital is abundant, and strategic urgency is rising as companies

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/> and here: <https://penderfund.com/fund/pender-alternative-arbitrage-plus-fund/>

² The benchmark for both funds is the HFRI ED: Merger Arbitrage Index (USD)

respond to technology disruption, geopolitical events, shifting supply chains, and shareholder pressure for portfolio optimization.

SPAC Market Update

SPAC issuance momentum showed no signs of slowing after a surge of activity in January with 24 SPAC IPOs in the month raising over \$5.6 billion of trust capital. One SPAC deal closed during the month with no liquidations. As of the end of January, there 310 active SPACs with over \$46 billion in trust with 200 of those SPACs actively searching for targets. We are closely monitoring the quality of new issuance, particularly sponsor alignment, structure, warrant coverage, and extension mechanics. As issuance volumes rise, dispersion in deal terms has widened, reinforcing the importance of disciplined underwriting and selective participation. At the same time, a growing subset of SPACs formed in late 2024 and early 2025 are entering the mid-point of their search windows, creating a parallel opportunity set focused more on yield capture as liquidation timelines become clearer.

At the end of the month, SPACs searching for targets were trading at a discount-to-trust value, which provided a yield-to-maturity of 3.71%³. SPAC issuance remained robust in January, reinforcing the sector's renewed momentum and continuing to rebuild aggregate trust balances. The opportunity set remains bifurcated. Newly issued SPACs offer attractive optionality through common shares, warrants and rights, particularly when backed by experienced sponsors with differentiated sourcing capabilities. At the same time, more seasoned SPACs approaching maturity provide a parallel opportunity to capture yield as liquidation timelines shorten. With downside protection anchored by cash held in trust, the SPAC structure continues to present a compelling balance between capital preservation and return potential in the current environment.

Portfolio Update

January marked a more measured start to the year following December's elevated levels of activity, though the environment for merger arbitrage remained constructive. During the month, the Fund initiated positions in 10 new merger transactions while 14 deals held in the portfolio successfully closed, allowing capital to be efficiently recycled into new opportunities. The higher number of closings relative to new initiations reflects the healthy cadence of deal completions entering year-end and into early 2026, as transactions announced in the second half of last year progressed through final approvals. Deal activity within the Fund continued to be concentrated in small- and mid-cap transactions, consistent with our focus on shorter-duration deals with lower regulatory complexity and more attractive risk-adjusted return profiles. At the end of January 2026, the Fund held 46 active investments in small-cap deals under \$2 billion, including 35 transactions valued at under \$1 billion, highlighting the continued breadth of opportunity within our core investment universe.

During the month, one notable position, **Soho House & Co Inc. (NYSE: SHCO)**, experienced volatility after news emerged that certain financing commitments supporting the

³ <https://www.spacinsider.com/>

transaction had fallen through. The stock sold off as the market reassessed the probability of deal completion. We undertook a detailed review of the merger agreement, financing structure and acquirer incentives, and conducted additional diligence on the buyers' ability to address the funding shortfall. Our analysis indicated that the acquirers retained both the financial capacity and strategic motivation to bridge the gap, and that the contractual framework of the agreement provided strong incentives to consummate the transaction. Based on this work, we maintained our position. The transaction ultimately closed on agreed terms, allowing the Fund to capture the spread and reinforcing the importance of fundamental underwriting and disciplined analysis during periods of headline-driven volatility.

Outlook

Entering 2026, the macro backdrop remains broadly supportive for event-driven strategies, though not without cross-currents. Policy rates have stabilized following 2025 cuts, while longer-dated yields remain sensitive to fiscal dynamics and growth expectations, contributing to episodic volatility across both equities and fixed income. At the same time, equity market performance, in our view, continues to be driven by a narrow cohort of mega-cap leaders, leaving broader indices exposed to shifts in sentiment or earnings expectations. Against this environment, M&A activity has demonstrated resilience, supported by healthy corporate balance sheets, available private equity capital and a regulatory landscape that is more navigable than in recent years. For merger arbitrage, this combination of steady deal flow and macro-driven dispersion creates an attractive setup for selective, deal-specific underwriting.

SPAC issuance also began the year with strong momentum, extending the recovery seen through 2025 and meaningfully expanding the investable universe. A growing pipeline of newly issued vehicles likely provides exposure to trust-backed downside protection with embedded optionality across shares, warrants and rights, while an expanding cohort of seasoned SPACs approaching maturity offers more yield-oriented opportunities as liquidation timelines shorten. As issuance increases, sponsor quality and structural discipline remain critical differentiators. In an environment where traditional asset correlations remain elevated and market leadership concentrated, we believe merger and SPAC arbitrage strategies continue to offer a differentiated source of absolute return with controlled duration and capital preservation characteristics.

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