

## Manager's Commentary

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### Market Update

Many consider the month of January as a good leading indicator of how the year will play out. Well, if this year is going to follow that pattern, we had better all buckle up, as it could be quite the ride.

January finished with a whimper as markets fell on the last trading day to close slightly positive on the month, but that comes nowhere close to telling the whole story. It was one of those months during which weeks felt like years.

Following such a strong year as we saw in 2025, many came into 2026 expecting some sort of reset. A nice year end rally had many stocks overbought and investors were nervous that sellers would hit the market to start the year. That wasn't the case.

The year started with a bang as markets launched out of the gate. Only to be quickly followed by an actual bang as the Americans launched an attack on Venezuela. The staggering success of that mission, which resulted in the US effectively taking over the government, stunned the world and emboldened President Trump.

With a 'win' under his belt, the President quickly turned his attention to other matters. First, further pushing his pressure on the FOMC by hitting Chair Powell with legal action. Then relaunching his attempts to take control of Greenland from a NATO ally. When the EU and other nations pushed back, we suddenly entered what seemed like 'Tariff War 2.0'. Markets responded accordingly with a quick drop, but following the script we all learned last year, TACO Trump turned, a deal was reached, and markets celebrated.

The World Economic Forum at Davos should have been a stage to see calmer heads prevail and tensions de-escalate. Yet it seemed the opposite as PM Carney's speech pushing back resulted in the full wrath of the President turning towards Canada, bringing with it tariffs and concerns about the upcoming USMCA negotiations.

Yet somehow the TSX ended the month with a decent performance. The volatile actions coming from Washington seemed to ignite the 'sell America' trade. Global investors, who had been selling down US exposure seemed to pick up the pace, deploying some of those proceeds into Canada.

We believe the real winner of the 'sell America' trade has been commodities. This builds on the gains of last year as the combination of dollar weakness, central bank buying and uncertainty powered gold and silver to record levels. This led the related companies higher and even more interest in the S&P/TSX.

Of course, when things go parabolic you have to expect some sort of check back, which we got to finish the month. Yet this could be looked at as an opportunity until the trends in the background reverse.

This year was always expected to be volatile given the state of global affairs but it's safe to say January exceeded those expectations. So now what?

We finally got clarity on who should be the next FOMC Chair, but so much uncertainty remains. Bond markets are not calm; yield spreads remain tight. Japan is on the verge of a fiscal crisis and who knows which country will be the next target of a tariff tantrum (probably Canada after we win a few gold medals)?

Yet one signal coming out of Davos that should not be ignored was a comment from President Trump predicting gains in the stock market. While there is only so much he can do to deliver that, if he is back using the stock market as his scoreboard it's hard to get too bearish. That is not to say there will not be volatility but IF that's the case, the strategy of buying dips remains on the table.

### Performance

The Pender Alternative Multi-Strategy Income Fund returned 1.0%<sup>1</sup> for January. The Fund's blended benchmark returned 0.7%<sup>2</sup> for the same period.

Returns for the Fund were largely driven by the Pender Corporate Bond Fund (PCBF). The Fund owns PCBF for its total return and opportunistic credit approach which was a key factor in its strong returns for the year. PCBF was up 2.1%<sup>3</sup> for the month.

For our long/short credit exposure, the Pender Alternative Absolute Return Fund (PAARF) is used to dampen volatility and provide downside protection in choppy markets. PAARF was higher for January by 0.4%<sup>4</sup>. The Fund's benchmark returned 1.2%<sup>5</sup> for the same period.

The market neutral/merger arbitrage exposure through the Pender Alternative Arbitrage Plus Fund (PAAF) was positive by 0.3%<sup>6</sup> for January. The Fund's benchmark returned 0.1%<sup>7</sup> for the same period. Last year was a record year for corporate activity in the United States and the environment looks strong for that to continue in 2026.

### Portfolio Positioning

We continue to monitor correlations across the different Fund exposures and will introduce additional asset classes or make tactical shifts should opportunities arise. In our view, the market looked to be in a strong position to move higher into the end of the year, and we increased our allocation to PCBF to near the high end of our limit. Entering 2026, given the current phase of historically tight credit spreads, we are looking to move towards a more defensive stance and increase our allocation to PAARF. We believed that M&A activity is expected to increase, which should act as a catalyst for PAAF. Cash can be used as a component of the asset mix but is not material at this point in time.

Greg Taylor, CFA  
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<sup>1</sup> All Pender performance data points are for Class F of the Fund unless otherwise stated. Other classes are available. Fees and performance may differ in those other classes. Standard Performance Information for the Fund may be found here: <https://penderfund.com/fund/pender-alternative-multi-strategy-income-fund/>

<sup>2</sup> The Fund's blended benchmark consists of 9% FTSE Canada Universe Bond Index, 25% ICE BofA US High Yield Index, 33% HFRI Credit Index (Hedged to CAD), 33% HFRI ED: Merger Arbitrage Index (Hedged to CAD)

<sup>3</sup> All Pender performance data points are for Class F of the Fund unless otherwise stated. Other classes are available. Fees and performance may differ in those other classes. Standard Performance Information for the Fund may be found here: <https://penderfund.com/fund/pender-corporate-bond-fund/>

<sup>4</sup> All Pender performance data points are for Class F of the Fund unless otherwise stated. Other classes are available. Fees and performance may differ in those other classes. Standard Performance Information for the Fund may be found here: <https://penderfund.com/fund/pender-alternative-absolute-return-fund/>

<sup>5</sup> The benchmark used is the HFRI Credit Index (USD). The Fund's benchmark is the HFRI Credit Index, hedged to CAD.

<sup>6</sup> All Pender performance data points are for Class F of the Fund unless otherwise stated. Other classes are available. Fees and performance may differ in those other classes. Standard Performance Information for the Fund may be found here: <https://penderfund.com/fund/pender-alternative-arbitrage-plus-fund/>

<sup>7</sup> Benchmark HFRI ED: Merger Arbitrage Index (USD)