Manager's Commentary

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The Pender Alternative Special Situations Fund returned 12.5%[1] in January, outperforming the S&P/TSX Composite, which rose 0.8% during the month. The Fund was well positioned to benefit from strength across the materials complex, where both traditional metals exposure and higher-value critical materials companies contributed meaningfully to performance. In addition, defense remains a core investment theme, with several portfolio holdings continuing to benefit from increased spending across the global defense ecosystem.

Index / Fund	1 month	1 year
Pender Alternative Special Situations Fund	12.5%	55.4%
S&P/TSX Composite (CAD)	0.8%	28.3%

Fund specific updates

During the month, we remained active in the Fund, selectively adding to positions in software and technology following the recent market selloff. We view the weakness in software stocks driven by AI-related fears as overdone, with the market pricing in an unrealistic "doomsday" scenario for large parts of the sector. While AI is increasingly differentiating perceived winners from losers, we believe the resulting dislocations are creating selective opportunities, particularly among software companies with durable business models and long-term growth trajectories that are being valued as though they face obsolescence.

Against this backdrop, we initiated a position in a basket of potential software acquirers, including **Topicus.com Inc. (TOI)**, **Lumine Group Inc. (LMN)**, and **Constellation Software Inc. (CSU)**, which we believe are well positioned to benefit from declining valuations as they opportunistically deploy capital. We also added selectively to companies that we view as potential acquisition targets. To manage risk and mitigate the impact of potential multiple compression across the sector, the Fund initiated a hedge through a short position in the **iShares Expanded Tech–Software Sector ETF (IGV).**

The top contributor during the month was **Carrier Connect Data Services Inc. (CCDS).** The company provides co-location and data center solutions to service providers, with clients utilizing Carrier's infrastructure either as a primary data center or as a complementary site, depending on their operational needs. The company is executing a strategy focused on acquiring Tier II and Tier III data centers within a large and highly fragmented market, where assets can be purchased at attractive valuations and value can be created through improved utilization, scale, and customer relationships. Given the early-stage nature of the platform, we believe there is a substantial runway for growth.

[1] *All Pender performance data points are for Class A of the Fund. Other classes are available. Fees and performance may differ in those other classes. Standard performance information for the Fund can be found here: https://penderfund.com/fund/pender-alternative-special-situations-fund/*

Our investment thesis is further supported by strong confidence in the management team. CEO and Founder Mark Binns is a proven serial entrepreneur who has previously served as CEO of three public companies, including scaling BIGG Digital Assets from a two-employee startup to a billion-dollar company in 2021. We have partnered with him successfully in the past and view his experience and execution capability as a key differentiator.

Real assets remain a core component of the Fund's positioning. Persistent concerns around inflation, fiscal sustainability, and the US dollar continue to provide a supportive backdrop for commodities. When combined with more than a decade of underinvestment in exploration and development, we believe the commodity cycle remains in its early innings.

Precious metals contributed positively to performance in January, reflecting strong price appreciation in gold and silver. As prices moved higher, we actively trimmed exposure during the month to manage risk and rebalance the portfolio. Uranium-related equities were another key contributor, supported by the Fund's diversified basket of catalyst-rich holdings. **NexGen Energy Ltd. (NXE)** was the Fund's third-largest contributor during the month, reflecting continued investor interest in high-quality uranium developers. We continue to view uranium as well-positioned as global power demand rises and nuclear energy plays an increasingly important role in meeting long-term electricity needs.

Complementing the Fund's exposure to traditional and energy-related commodities, **5N Plus Inc. (VNP)** was the second-largest contributor to performance during the month. The company is a differentiated supplier of value-added advanced materials serving end markets with long-duration secular tailwinds, including renewable energy, semiconductors, and space infrastructure. Our investment thesis remains positive, supported by several meaningful catalysts. In late 2025, 5N Plus was added to the S&P/TSX Composite Index, materially increasing its investment profile. More recently, the company received an US$18.1 million grant from the US government to support the strengthening of defense and space-related supply chains. To meet rising demand from the fast-growing space industry, 5N Plus has also announced plans to increase its space solar cell production capacity by 25% in 2026.

Outlook

The current market environment remains well suited for event-driven and special situations investing, with an expanding opportunity set with near-term catalysts. Ongoing tariff uncertainty, an evolving geopolitical landscape, a pronounced valuation gap between small and large-cap equities, and an active M&A backdrop are combining to create an attractive setting for catalyst-driven strategies. Supported by a strong short and long-term track record, the Fund remains well positioned to navigate volatility and capitalize on idiosyncratic opportunities as market conditions continue to evolve.

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