

## Manager's Commentary

Amar Pandya

The Pender Alternative Special Situations Fund returned 1.0%<sup>1</sup> in February, compared to the S&P/TSX Composite, which rose 7.7% during the month. The market rally was driven largely by a surge in commodity prices and a rotation into hard cyclical sectors.

The materials sector continued to perform well as global resource security became an increasing strategic priority. Gold reached record highs above \$5,400/oz on safe-haven demand, oil briefly breached \$100/bbl amid threats to Iranian infrastructure, and copper surged toward \$13,000 per tonne as the AI infrastructure boom collided with a highly constrained mining pipeline. The Fund had exposure to this strength across the materials complex, where both traditional metals exposure and higher-value critical materials companies contributed meaningfully to performance.

The defense theme also continued to gain momentum during the month following Prime Minister Carney's announcement of Canada's Defense Industrial Strategy, which outlines up to \$500 billion in spending to expand domestic defense infrastructure and production capacity. In March, Prime Minister Carney also unveiled a plan to defend and transform Canada's North, including \$35 billion in investments to modernize military air bases and upgrade northern airport infrastructure. Defense remains a core investment theme for the Fund, with several portfolio holdings exposed to increased spending across the global defense ecosystem.

Technology was the primary detractor in the Fund for the month as concerns around AI-driven disruption intensified. Recent volatility in the software sector has led to sharp valuation compression, with investor sentiment shifting rapidly across multiple subsectors. We believe much of this selling is emotional and indiscriminate, creating attractive dislocations. Environments like this are likely well suited to the Fund's strategy, allowing us to selectively add to new and existing positions at deeply discounted valuations.

Index / Fund	1 month	1 year
<b>Pender Alternative Special Situations Fund</b>	1.0%	56.7%
S&P/TSX Composite (CAD)	7.7%	38.8%

### Fund specific updates

During the month, we remained active, selectively adding to positions during periods of heightened market volatility. Amid increased volatility in the software sector, driven largely by concerns around AI-related disruption, we retained a partial hedge on our technology exposure through a short position in the **iShares Expanded Tech-Software Sector ETF (IGV)**. This hedge reflects a risk management decision rather than a change in our long-term view of the sector, and we continue to maintain a constructive outlook on our technology holdings.

The Fund retains exposure to a basket of technology consolidators, as well as a select group of high-conviction SaaS companies with strong fundamentals and attractive valuations that we believe could become potential acquisition targets. We believe the long-term demand-drivers for

<sup>1</sup> All Pender performance data points are for Class F 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: [penderfund.com/fund/pender-alternative-special-situations-fund/](https://penderfund.com/fund/pender-alternative-special-situations-fund/)

software remain intact, as AI adoption, enterprise digitization, and infrastructure modernization continue to accelerate the need for software solutions.

For us, short-term price dislocations are not a flaw in the process, they are often the source of long-term opportunity. In our view, valuations remain compelling, dispersion across sectors is high, and many high-quality businesses continue to trade well below our estimate of intrinsic value.

Real assets also remain a core component of the Fund's positioning. Within materials, critical mineral companies were important contributors to performance during the month. **5N Plus Inc. (VNP)** was the top performer, contributing 120.8 bps to portfolio performance in February. The month was an important one for the company, highlighted by the release of fiscal year 2025 results that pushed the share price to new 52-week highs. Notably, the company's guidance for 2026, which we believe remains conservative, implies ~100% growth from the guidance provided for 2025 last year. During the month, 5N Plus also announced a 25% capacity expansion in its space solar division and received several upward revisions from research analysts.

5N Plus continues to solidify its position as a critical producer of specialty, proprietary materials. We believe several catalysts remain ahead on both the product and sales fronts, and the company may also pursue tuck-in acquisitions that expand its capabilities in adjacent niche markets.

Other materials contributors during the month included **Faraday Copper Corp. (FDY)**, **Highlander Silver Corp. (HSLV)**, **Montage Gold Corp. (MAU)**, **NexGen Energy Ltd. (NXE)**, **Neo Performance Materials Inc. (NEO)**, and **Fireweed Metals Corp. (FWZ)**.

In February, we also participated in a secondary offering for **Carrier Connect Data Solutions Inc. (CCDS)**, which was priced at a 128% premium to the first offering we participated in last November. The company recently completed a data center acquisition in St. John's, further expanding its platform. We believe Carrier Connect has built a strong M&A pipeline that could translate into four to five acquisitions per year, with acquisitions expected to be a key growth driver for the business.

Our positive outlook on Carrier Connect reflects several factors: the strong demand tailwinds supporting the data center industry, driven by mission-critical cloud computing and AI workloads; the operating leverage, low customer churn, and strong free cash flow generation inherent in the data center model; and the potential takeout optionality as the company scales its portfolio toward ~25 data centers, which could attract interest from PE firms or larger data center operators.

## Outlook

The current market environment continues to present opportunities event-driven and special situations investing, with an expanding opportunity set driven by identifiable near-term catalysts. A combination of AI-driven disruption, tariff uncertainty, geopolitical tensions, the persistent valuation gap between small and large-cap equities, and an active M&A landscape are creating an attractive backdrop for catalyst-driven strategies. The Fund is well positioned to respond on these dynamics given its liquid alternative structure which allows us to pursue a wide range of event-driven opportunities that may not be accessible in traditional mandates. Our positioning also aligns with the core thematic focus of Pender's equity team of AI, Energy Transition, Geopolitics, and Enterprise Software. These structural themes continue to generate compelling opportunities and remain key areas of focus. Supported by a strong short- and long-term track record, we believe the Fund is well equipped to navigate market volatility and capitalize on the growing pipeline of special situations opportunities.

**Amar Pandya, CFA**

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