

Manager's Commentary

Amar Pandya, CFA

Dear Unitholders,

The Pender Alternative Arbitrage Fund and the Pender Alternative Arbitrage Plus Fund were down -0.5% and -1.0%¹ respectively in March 2026 while the HFRI ED: Merger Arbitrage Index (USD) returned 0.5%².

M&A Market Update

Global M&A activity accelerated into the end of the first quarter, with total announced deal value reaching approximately \$1.2 trillion in Q1 2026, up 27% year-over-year and the strongest start to a year since 2021³. This strength in value was driven by a surge in large transactions, even as overall deal count declined 15% year-over-year to roughly 11,400 transactions, an 11-year low, highlighting an increasingly concentrated deal environment. A defining feature of the quarter and of March's momentum into quarter-end was the record level of mega-deal activity. There were 22 transactions greater than \$10 billion announced in Q1 totaling nearly \$500 billion, up 47% year-over-year and the strongest period for mega-deals on record. Sector activity remained concentrated in areas tied to structural growth and capital intensity. Technology led with \$313 billion of deal value followed by Energy & Power and Financials, as corporates and sponsors continued to position around AI, infrastructure, and balance sheet optimization. Notably, private equity-backed M&A reached a record \$320 billion, up 41% year-over-year, underscoring the return of financial sponsors as a key driver of activity.

Overall, March capped a strong quarter for global M&A, characterized by rising deal values, record mega-deal activity and increasing sponsor participation, even as volumes remained subdued. Heightened geopolitical tensions, including the US-Israel conflict with Iran, introduced additional volatility and uncertainty into global markets, which likely caused some dealmakers to pause or delay announcements, particularly for larger or cross-border transactions sensitive to macro conditions. As visibility improves and prospects for de-escalation or resolution come into view, we would expect pent-up deal activity to re-emerge, potentially supporting a continued recovery in announced transactions.

SPAC Market Update

SPAC issuance activity slowed in March following a strong start to the year with 11 SPAC IPO's announced during the month raising \$1.8 billion in value⁴. There were seven SPAC deals closed during the month and no liquidations. Despite the limited issuance, March highlighted the divergent outcomes inherent in SPAC investing, particularly between arbitrage-focused strategies and speculative participation in de-SPAC transactions. Several announced

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) hedged to CAD

³ LSEG - Global Mergers & Acquisitions Review – First Quarter 2026

⁴ SPAC Research

transactions during the month involved early-stage, capital-intensive companies, including those in emerging sectors such as quantum computing, nuclear energy and AI. These types of businesses continue to rely on SPACs as an alternative route to public markets and capital.

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 4.21%⁵. While new issuance slowed, SPAC yields moved higher during March as discounts-to-trust widened, particularly among more seasoned SPACs with shorter durations. At the same time, there has been a notable increase in deal announcement activity, as a growing number of SPACs began to deploy capital raised in the past few quarters. This combination of rising yields and improving deal flow is supportive for both legs of our strategy. For newer SPAC IPOs, we are selectively participating where structures provide attractive optionality on a potential transaction, particularly as improving sentiment drives more frequent and, in some cases, better-received deal announcements. Concurrently, in older SPACs, shortening timelines to liquidation and wider discounts-to-trust are enhancing the ability to capture yield, allowing us to realize returns with limited market risk. With downside protection anchored by cash held in trust and an expanding set of actionable opportunities across the SPAC lifecycle, we believe this balanced approach continues to offer an attractive risk-adjusted return profile in the current environment.

Portfolio Update

March was an eventful month with plenty of activity for the Fund following an encouraging start to the year, with a steady cadence of deal initiations and closings. While overall M&A activity remained robust at the market level, periods of volatility toward the end of the quarter led to some widening in merger spreads, which we selectively utilized to add to high-conviction positions. During the month, the Fund initiated positions in 17 new merger transactions while 14 deals held in the portfolio successfully closed, allowing capital to be recycled into newly widened spreads created by the market dislocation. Our focus remains on smaller and mid-cap transactions where we believe deal certainty is higher and competition for capital is less intense, allowing us to generate attractive risk-adjusted returns. At the end of March, the Fund held 33 active investments in small-cap deals under \$2 billion, including 22 transactions valued at under \$1 billion, reflecting the continued breadth of opportunity within our core focus on smaller, less complex transactions.

During the month, the Fund experienced a deal break with the proposed acquisition of LENSAR, Inc. (NASDAQ: LNSR) by Alcon Inc., which was terminated following opposition from the FTC. LENSAR is a medical technology company focused on advanced femtosecond laser systems used in cataract surgery, operating in a niche segment of the ophthalmic equipment market. Our investment thesis was that the company's relatively small size and limited market share would not raise material antitrust concerns; however, regulators ultimately took a more stringent view of the competitive dynamics in this specialized market. While disappointing, deal breaks are an inherent part of merger arbitrage investing. Importantly, we maintain a strong long-term track record of avoiding broken deals through disciplined underwriting and rigorous risk assessment, and continue to position the portfolio to mitigate the impact of such events.

⁵ <https://www.spacinsider.com/>

Outlook

The strength in M&A activity through the first quarter has reinforced a meaningful shift in the dealmaking environment, with strategic and financial buyers increasingly active and competing for assets. This momentum is being driven by a combination of abundant capital, improving confidence and a more supportive regulatory backdrop, all of which continue to underpin a healthy pipeline of transactions. While geopolitical developments, including the conflict involving Iran, have introduced intermittent volatility, they have done little to derail the broader trajectory of rising deal activity. We are also observing a growing sense of urgency among corporates and private equity sponsors to execute transactions in the current window, supported by favorable policy conditions in the US. This dynamic, combined with a backlog of potential deals, suggests continued strength in announced activity even if short-term volatility creates occasional pauses. For merger arbitrage, these environments often lead to temporary dislocations in spreads, which can provide attractive opportunities to deploy capital into high-quality transactions.

Within SPAC arbitrage, the setup continues to improve as rising yields coincide with an increase in deal announcements. We are finding opportunities across both new issuance, where optionality is becoming more valuable, and more mature SPACs, where shorter durations and wider discounts support yield capture. In the context of elevated equity valuations and an increasingly complex macro environment, we believe a non-correlated, absolute return-focused strategy such as merger arbitrage remains a compelling allocation. With exposure to both traditional M&A and SPAC opportunities, we view the strategy as well positioned to deliver consistent returns while providing diversification benefits in periods of market uncertainty.

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