

## Manager's Commentary

### Amar Pandya, CFA

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Dear Unitholders,

The Pender Alternative Arbitrage Fund and the Pender Alternative Arbitrage Plus Fund were -0.1% and 0.0%<sup>1</sup> respectively in April 2026 while the HFRI ED: Merger Arbitrage Index (USD) returned 2.3%<sup>2</sup>.

#### **M&A Market Update**

Global M&A activity continued at its near historic record pace with over \$1.8 trillion of global deal activity through the first four months of 2026, up 40% year-over-year. April saw continued momentum in several sectors including technology, energy, infrastructure, industrials and financial services, with AI-related acquisitions and large-scale strategic combinations remaining key drivers of activity. While broader macro uncertainty and shifting trade policy continue to weigh on corporate confidence, dealmakers appear increasingly willing to move forward on transactions supported by clear strategic rationales, long-term cost synergies or competitive positioning benefits. Large-cap transactions have been particularly resilient, with several sizeable deals announced or progressing despite ongoing market volatility. The continued normalization of financing markets alongside improving confidence in the regulatory environment has also contributed to the pickup in activity.

While market volatility and tariff-related uncertainty are likely to continue creating periods of hesitation for dealmakers, particularly for larger multinational transactions, the underlying backdrop for M&A remains constructive. Strategic acquirers continue to seek scale, technology capabilities and supply-chain resiliency, while private equity firms remain under pressure to deploy capital and monetize existing portfolio investments. We continue to see an attractive opportunity set within small and mid-cap mergers, particularly among domestically focused businesses where financing, regulatory and geopolitical risks are generally lower and acquisition synergies are more straightforward to evaluate.

#### **SPAC Market Update**

SPAC issuance activity picked up again in April, with 16 SPAC IPO's announced during the month raising \$2.8 billion in value<sup>3</sup>. There was one SPAC deal closed during the month and no liquidations. Serial sponsors continued to dominate issuance activity, accounting for roughly 58% of new SPAC IPOs as experienced teams leveraged established investor relationships and prior deal execution track records to raise increasingly larger vehicles. The market continues to favour sponsors with repeat issuance histories and specialized sector expertise, particularly in areas such as AI, crypto infrastructure, robotics, quantum computing and critical minerals. These higher-growth thematic sectors remain well suited to the SPAC structure given the flexibility

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<sup>1</sup> 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/>

<sup>2</sup> The benchmark for both funds is the HFRI ED: Merger Arbitrage Index (USD) hedged to CAD

<sup>3</sup> SPAC Research

around valuation negotiations, faster execution timelines and ability to raise additional PIPE financing alongside a transaction.

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 4.11%<sup>4</sup>. With heavy issuance levels through the first four months of the year, we have started to see early signs of saturation emerging in the SPAC market. Several sponsors have either reduced the size of their IPOs or added incremental sweeteners and investor-friendly terms in order to successfully raise capital. In response, we remain highly selective in our participation in new SPAC IPOs, focusing primarily on experienced sponsors or the most enticing structures. A significant wave of redemption opportunities is expected across legacy SPACs over the coming quarters as many mature vehicles approach their liquidation deadlines. As a result, our strategy is increasingly focused on the liquidation and redemption segment of the market, where we can acquire SPACs trading at discounts to trust value and capture attractive yields with reduced market risk.

### Portfolio Update

April was an eventful month 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 created opportunities as merger spreads widened, allowing us to selectively add to high-conviction positions and recycle capital into attractive new situations. During the month, the Fund initiated positions in 22 new merger transactions while 14 deals held in the portfolio successfully closed. 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 April, the Fund held 36 active investments in small-cap deals under \$2 billion, including 25 transactions valued at under \$1 billion, reflecting the continued breadth of opportunity within our core focus on smaller transactions.

Pender's broader investment platform has also experienced a pickup in M&A activity, providing the arbitrage funds with a unique and differentiated source of deal flow. In particular, acquisition activity involving companies already covered and owned within Pender's equity strategies can represent some of the highest conviction merger investments for the Fund, as we are able to leverage the deep fundamental research, industry expertise and management relationships developed by Pender's equity team. Recent examples include the acquisitions of Blackline Safety Corp. (TSX: BLN) and ARC Resources Ltd. (TSX: ARX), both of which were held within Pender equity mandates prior to their respective transactions. In addition, Esperion Therapeutics, Inc. (NASDAQ: ESPR), which announced an acquisition offer in early May, was a holding within Pender's fixed income strategies where we were similarly able to leverage unique company-specific insights. We believe this collaborative approach provides the Fund with a differentiated sourcing advantage, particularly within the small and mid-cap universe where proprietary research coverage, sector expertise and familiarity with the underlying business can enhance underwriting confidence and allow us to respond quickly as new merger opportunities emerge.

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<sup>4</sup> <https://www.spacinsider.com/>

**Outlook**

The macroeconomic environment remains increasingly complex as geopolitical instability, elevated fiscal deficits and persistent inflationary risks continue to cloud the outlook for traditional asset classes. The ongoing conflict involving Iran and the heightened risk of broader regional escalation have increased uncertainty across global markets. This is particularly relevant given the strategic importance of energy supply routes through the Strait of Hormuz. Even temporary disruptions to shipping flows could place upward pressure on oil prices for an extended period due to long lead times required to normalize global energy supply chains. At the same time, inflation expectations remain sensitive to higher commodity prices, potentially limiting the ability of central banks to aggressively ease monetary policy despite signs of slowing economic growth. Equity market leadership has also become increasingly concentrated, with a narrow group of AI-related mega-cap stocks driving a disproportionate share of index performance while many non-AI businesses continue to face a far more challenging operating environment. This bifurcation, combined with historically elevated valuation levels for the S&P 500, leaves broader equity markets vulnerable to periods of heightened volatility should sentiment or earnings expectations shift.

Against this backdrop, we believe investors should increasingly value differentiated, non-correlated sources of return such as merger and SPAC arbitrage. The short-duration, absolute return-oriented profile of the strategy can provide diversification benefits during periods of macro uncertainty while remaining less dependent on the direction of equity markets. Importantly, the underlying backdrop for both M&A and SPAC arbitrage remains constructive. Strategic and financial buyers continue to pursue acquisitions to drive growth, secure competitive positioning and deploy substantial pools of available capital, while improving regulatory visibility has supported a steady pickup in announced transactions. Within SPACs, the combination of attractive yield opportunities, improving sentiment and a growing pipeline of merger announcements continues to create a favourable environment across both new issuance and mature SPAC opportunities. With a broad opportunity set across traditional merger arbitrage and SPAC investments, we believe the Fund remains well positioned to generate attractive risk-adjusted returns while providing valuable portfolio diversification in an increasingly uncertain market environment.

**Amar Pandya, CFA**

May 21, 2026