

## Manager's Commentary

Amar Pandya

The **Pender Alternative Special Situations Fund** returned 1.1%<sup>1</sup> in May, compared to the S&P/TSX Composite, which rose 2.5% during the month. Like most months this year, May brought heightened volatility driven by inflation concerns and geopolitical uncertainty. Heading into the month, there were concerns that equity markets were due for a pause. However, once again the market continued its positive momentum.

Index / Fund	1 month	1 year
<b>Pender Alternative Special Situations Fund</b>	1.1%	62.7%
S&P/TSX Composite (CAD)	2.5%	36.1%

One theme that took hold this month was the increase in corporate activity, a positive for our event-driven strategy. Mergers and acquisitions neared a record last year and appear, in our view, to be continuing that trend in 2026. Activist investors are aggressively targeting smaller companies whose valuations have fallen, and there is a push to see deals announced and approved before a potential shift to a less business-friendly administration in Washington later this year. Within the Fund's investable universe, M&A activity picked up significantly across our core small/mid cap names, with acquirers stepping in to exploit valuation dislocations in small cap securities.

The Pender Alternative Special Situations Fund strategy has been involved in several pre-deal situations where we believe the probability of a strategic transaction or acquisition materializing is elevated. **Kneat.com Inc. (KSI)**, for example, announced a strategic review that lifted shares in May, followed by a definitive deal in June. **Monro Inc. (MNRO)** announced a strategic review alongside the elimination of its 87-year-old former controlling shareholder's super-voting shares, with two activist funds increasing their ownership in the company. Several other holdings in the Fund have announced strategic reviews or have an activist investor pushing for value-creation options. These situations highlight the opportunity within the Fund's unique strategy, one we believe may continue to present opportunities going forward.

Outside of M&A, the defence theme continued to gain momentum as Canada's Defence Industrial Strategy, aimed at expanding domestic defence infrastructure and production capacity, may reshape the opportunity set for domestic companies. This is a significant shift: it provides what we believe are among the clearest demand signals we have seen in decades, with a notable focus on dual-use technologies and Canadian-based companies. It is not only about higher spending, but about building out the entire domestic industrial base for the Canadian defence industry. The dollar amounts under discussion are substantial: \$180 billion in defence procurement, \$290 billion for defence-related infrastructure, and \$125 billion for downstream activity, with plans to direct about 70% of all acquisitions to Canadian firms by 2035<sup>2</sup>. To deepen

<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/)

<sup>2</sup> Prime Minister of Canada, February 2026

our understanding of the investable universe for space and defence, we attended the Space Horizons conference at Canadian Space Agency headquarters during the month. The tone was one of urgency: Canada needs to maintain its leading position in space, move faster, iterate more quickly and remove bottlenecks.

### Fund specific updates

Building on the defence theme, **MDA Space Ltd. (MDA)** was the top contributor in May, adding 174bps to the portfolio. Performance was driven by major contract wins in the defence sector, and the company continues to benefit from its strategic pivot toward high-growth areas (satellite constellations and national security) as well as continued momentum following its US listing. The halo effect from the upcoming SpaceX IPO is also lifting the entire space sector. For MDA in particular, the timing of the SpaceX IPO is particularly beneficial as MDA just began to ramp up production at its new state-of-the-art satellite manufacturing facility, one of the largest and most advanced in the world.

Despite the strong run in MDA's shares, we believe the valuation still looks reasonable given the company's growth profile, backlog visibility and scarcity value as a profitable pure-play space company. MDA trades at a discount to the majority of aerospace, defence and space-sector peers despite stronger growth prospects, and it offers pure-play space exposure with real profitability, something many newer space companies cannot claim. The key support for the valuation is execution visibility: a \$3.7B backlog, two large constellation programs underway, a net cash position, a new high-volume satellite facility and a \$40B five-year sales pipeline. We continue to see upside if MDA executes on its funded programs and converts even a modest share of the broader pipeline of LEO satellite and government opportunities into contracts.

Real assets also remain a core component of the Fund's positioning. Within materials, critical minerals companies were important contributors to performance during the month. **5N Plus Inc. (VNP)** was the second-best performer, contributing 94.6bps to portfolio performance in May. The company reported impressive Q1 results reflecting strong demand in Specialty Semiconductors and pricing tailwinds in Performance Materials, with persistent strength in key areas: both the terrestrial renewable energy business and the space solar power business continue to fire on all cylinders.

Another critical minerals holding, **Neo Performance Materials Inc. (NEO)**, was also a top contributor in May. NEO reported solid Q1 results, beating consensus EBITDA by 89%, while raising 2026 EBITDA guidance 35.5% and we believe there is some conservatism in the new guide. This reaffirms our view that the underlying business is benefiting from higher commodity prices, and that the valuation could continue to re-rate given the thematic interest in rare earths.

On the detractor side, **Carrier Connect Data Solutions Inc. (CCDS)**, the Fund's largest position, was the largest detractor as the stock sold off on no news. Our thesis is unchanged. We believe the company benefits from structural demand tailwinds in data centres, cloud computing, AI workloads, colocation and edge infrastructure, alongside the operating leverage, low churn and strong free cash flow inherent in the data centre model. Many smaller Tier II/III data centres remain privately held or non-core to larger organizations, and Carrier is arbitraging that gap: acquiring assets at private-market prices, improving execution, and positioning for a higher public-market multiple as it scales toward ~25 data centres, a portfolio that may also attract takeout interest from PE firms or larger operators.

Turning to US cannabis, we took profits on our exposure last month but continue to see positive developments and investor flows in the sector. Following last month's rescheduling of cannabis,

many of the US multi-state operators are exploring listings on the major US exchanges (NYSE and NASDAQ) given the renewed focus on medical cannabis.

Elsewhere in the portfolio, we trimmed several software names that re-rated on the broad market rotation and took profits on hard-catalyst event-driven positions, while increasing hedges at month-end, allowing us to maintain exposure to the Fund's company-specific catalysts while offsetting some market beta.

**Amar Pandya, CFA**

*June 16, 2026*