Manager's Commentary

Amar Pandya, CFA

Dear Unitholders,

The Pender Alternative Arbitrage Fund and the Pender Alternative Arbitrage Plus Fund were -0.1% and -1.1%[1] respectively in June 2026 while the HFRI ED: Merger Arbitrage Index (USD) returned 0.7%[2].

M&A Market Update

Global M&A activity accelerated through June, capping a record first half of 2026. $2.83 trillion of transactions were announced during the first six months of the year, up 49% from the same period in 2025 and exceeding the previous first-half record set in 2021[3]. Activity remained concentrated in larger strategic transactions, with a record 47 deals valued above $10 billion, an increase of 62% year-over-year. Despite the increase in aggregate value, the number of announced transactions declined by approximately 9%, highlighting a continued divergence between robust mega-deal activity and a more selective market for smaller acquisitions.

Artificial intelligence and the infrastructure required to support its adoption remained important catalysts for transactions across technology, power, energy and industrials. June also saw continued activity in biotechnology, as pharmaceutical companies sought to replenish product pipelines ahead of significant patent expirations, while strategic infrastructure acquisitions reflected rising demand related to data centres, electrification and grid investment. Private equity activity also intensified, with sponsor-backed deal value rising more than 50% year-over-year as financing availability improved and firms sought to address a growing backlog of portfolio-company exits.

SPAC Market Update

SPAC issuance remained elevated in June, with 19 SPAC IPOs completed during the month raising $4.0 billion of trust capital[4]. Seven SPAC deals closed and there were no liquidations. At month-end, there were 363 active SPACs, including 254 actively searching for targets. With a growing number of SPACs in the market, competition is increasing for attractive private companies which reinforces the importance of sponsor quality, sector expertise and disciplined deal selection. At the same time, a crowded calendar of large traditional IPOs like SpaceX's blockbuster IPO has strengthened the relative appeal of SPACs for smaller and emerging companies seeking a differentiated path to the public markets. With issuance remaining robust and the pool of searching SPACs expanding, we anticipate greater differentiation between sponsors and transaction structures in the months ahead.

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[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: Deal Intelligence – Investment Banking Scorecard*

[4] *SPAC Research*

At the end of June, SPACs searching for targets were trading at a discount to trust value, providing a yield-to-maturity of 4.95%[5]. As the number of active SPACs has continued to grow, discounts to trust value have steadily widened, particularly among mature SPACs approaching extension votes or liquidation deadlines. This has created an increasingly attractive opportunity to earn short-duration, low-risk and low-volatility returns with the added benefit of tax efficiency, as gains are primarily realized as capital gains. In response, we have been increasing the Fund's allocation to SPAC arbitrage with a greater emphasis on mature SPACs nearing liquidation, where we believe the risk/reward profile is particularly compelling. While the new issuance market remains active, the continued oversupply of SPAC IPOs has reduced the attractiveness of participating in new offerings, and we have not invested in a new SPAC IPO for several months. We're optimistic that the growing pipeline of redemption and liquidation opportunities will remain an attractive structural source of returns over the coming quarters.

Portfolio Update

June was an active but more volatile month for the Fund, with several merger transactions experiencing delays in reaching their anticipated closing dates. These timing extensions, together with broader market volatility, contributed to a widening of merger arbitrage spreads and created some short-term mark-to-market pressure across the portfolio. While delayed closings can defer the realization of returns, we remain focused on the underlying probability of completion and view wider spreads in high-conviction transactions as an opportunity to add exposure at more attractive expected returns.

The Fund initiated positions in nine new merger deals during the month as capital was deployed across a broad set of small and mid-cap transactions while 14 deals held by the Fund closed. Our focus remains on smaller deals, which generally carry less financing and regulatory risk and can offer attractive annualized return potential. At the end of June, the Fund held 25 investments in transactions valued below $1 billion, and 29 investments in deals valued below $2 billion. With spreads wider and several delayed transactions continuing to progress toward completion, we believe the portfolio is positioned to benefit as deal milestones are achieved, and capital is recycled into new opportunities.

Outlook

Markets remained resilient but increasingly volatile through June as investors balanced encouraging corporate activity against elevated valuations, shifting interest-rate expectations and geopolitical risk. The S&P 500 recorded its first monthly decline following two positive months, while AI-related equities experienced sharp swings amid renewed concerns about valuations and the durability of capital spending. Energy markets were particularly sensitive to developments in the Middle East: oil prices initially rose as military actions involving Iran resumed, before falling sharply following a preliminary ceasefire and an agreement intended to restore shipping through the Strait of Hormuz. The subsequent restart of hostilities has demonstrated the fragility of that agreement and increased the risk of further volatility across energy, inflation and interest-rate markets.

Against this uncertain backdrop, we continue to believe the short-duration and non-correlated characteristics of merger and SPAC arbitrage are particularly valuable. M&A activity remains robust, supported by strategic demand for scale, improving financing markets and growing

[5] *SPAC Insider*

confidence among corporate buyers, while the expanding population of SPACs is creating an attractive pipeline of redemption and liquidation opportunities. Merger arbitrage spreads continue to offer compelling potential returns relative to many traditional fixed-income alternatives, while mature SPACs trading below trust value provide a low-volatility and tax-efficient source of returns with limited market exposure. With broad opportunity sets across both strategies, we remain constructive on the outlook for the Fund and believe the portfolio is positioned to generate attractive risk-adjusted returns while providing diversification through a potentially more volatile second half of the year.

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