Manager's Commentary

Amar Pandya

The **Pender Alternative Special Situations Fund** returned -3.4%[1] in June, compared to the S&P/TSX Composite, which rose 0.5% during the month.

Index / Fund	1 month	1 year
Pender Alternative Special Situations Fund	-3.4%	43.6%
S&P/TSX Composite (CAD)	0.5%	32.9%

In what seems to be the theme of the year, volatility continued to impact equity markets. Artificial intelligence (AI) stocks saw continued periods of volatility over the month, as large capex numbers keep raising doubts about potential return on investment.

June was also a pivotal month for global markets given shifting geopolitical tensions. The month began under the shadow of a prolonged Middle East conflict that had pushed oil toward $100/bbl, but the signing of a Memorandum of Understanding between the US and Iran on June 18 triggered a sharp reversal in energy and precious metals prices. WTI and Brent crude fell more than 20%, settling at approximately $69.50 and $72.90 respectively by late June. That said, despite this interim peace deal, the lasting impact of the conflict on inflation and the global economy has yet to be fully realized. Given these uncertainties, we've continued to selectively add to our energy exposure, initiating positions in several idiosyncratic special situation energy names that, in our view, can realize value independent of oil price moves while still retaining significant torque to higher prices. We believe there is more structural upside to oil prices and see an attractive opportunity in Canadian and offshore producers.

One area of positivity, especially for the Fund, was the continued pickup in M&A activity. Several holdings have become acquisition targets this year, a few have attracted activist attention, and others have announced strategic reviews. We view this as an important signal: private markets are beginning to recognize value in the public small- and mid-cap space, where valuations have remained disconnected from long-term fundamentals. This M&A environment represents a meaningful tailwind, with the potential to surface and unlock value in underappreciated portfolio companies. We believe this backdrop is increasingly constructive for our equity, event-driven, and arbitrage strategies.

Fund specific updates

Given the uncertain macro backdrop, we've increased our defensive posture. Cash currently sits at roughly 15% of the portfolio, extra liquidity we're happy to hold, so we believe we're well positioned to capitalize when quality names trade at an attractive entry point. The volatility we're seeing creates potential opportunities for the Fund. In the same vein, we've maintained portfolio hedges to mitigate the impact of the market volatility we see as likely in the months ahead. We've also increased our exposure to hard catalyst events, which carry lower correlation to broader markets.

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[1] *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/*

kneat.com, inc. (KSI) - On June 8, 2026, kneat.com, inc. announced it is being acquired by Thoma Bravo for $6.50 cash per share, a roughly 20% premium to last close, and a 40% premium to the unaffected price prior to the announcement of a strategic review.

Glass House Brands Inc. (GLAS) - Our event-driven position in equity and warrants was the top contributor in the month. Investor interest in US cannabis remains encouraging following the April 2026 final order placing FDA-approved and state-licensed medical cannabis into Schedule III, with the Trump administration moving to expedite broader rescheduling. The DEA began formal hearings on June 29, 2026 to consider transferring cannabis fully from Schedule I to Schedule III. If finalized, we believe rescheduling could materially improve Glass House's earnings and cash flow, alongside greater liquidity, a broader investor base, and improved capital access following its potential NYSE listing approval.

Carrier Connect Data Solutions Inc. (CCDS) - Another key contributor, the company continues to execute on its data-centre roll-up, announcing the acquisition of an enterprise-class, carrier-neutral data centre in Rochester, NY, its first US acquisition, providing a foothold in the US Tier II/III data centre market.

Uranium exposure was a detractor in the month (**NexGen Energy Ltd. (NXE), IsoEnergy Ltd. (ISO), Uranium Energy Corp. (UEC), Sprott Physical Uranium Trust (U.UN)**). The sector partly trades on AI sentiment, but we believe there's a compelling fundamental thesis emerging: rising power demand and increasing funding, development, and production of nuclear energy are driving demand for uranium, while supply remains curtailed. The Canadian government announced a Nuclear Energy Strategy in June, with intentions to make Canada a global nuclear energy power, including construction of up to 10 nuclear reactors domestically, expanded technology exports, and a doubling of uranium exports. The US Department of Energy also announced up to $17.5 billion in conditional loans to support the US commercial nuclear supply chain.

Critical minerals holdings continue to be meaningful contributors to the Fund. **Neo Performance Materials Inc. (NEO)** was a key contributor as investor interest strengthened around constrained Western rare-earth supply chains and robust demand for rare-earth materials and permanent magnets. Neo continued ramping its new European facility and advancing its vertically integrated supply chain through its recently commissioned heavy rare-earth separation line. This momentum was subsequently validated in early July when Neo materially raised its guidance, reflecting solid operating performance and favourable pricing across its critical-materials portfolio.

McDermott International Ltd. (MCDIF) - A detractor this month due to a complex situation we believe can resolve favourably. In June, McDermott announced definitive plans to refinance its debt facilities, alongside an equity rights offering priced at $1.50/share versus a recent pre-announcement price of $25/share. The capital raise would bring in $500 million, facilitating debt paydown, improved credit ratings, and more. Ahead of the rights issue, parties who cannot participate become forced sellers, so from a mark-to-market standpoint, our combined McDermott capital structure position may look worse before it improves. Despite the near-term underperformance, we believe there's asymmetric upside in the equity position. We view this as a positive development that should unlock significant value in the reorg shares, albeit with some added short-term volatility.

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