

Pender Alternative Arbitrage Fund

Six months ended June 30, 2026

Semi-Annual Management Report of Fund Performance

This interim Management Report of Fund Performance contains financial highlights but does not contain either the interim financial statements or annual financial statements of the investment fund. You may obtain a copy of the interim financial statements or annual financial statements at your request, at no cost, by calling toll-free 1-866-377-4743, by writing to us at 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by visiting our website at www.penderfund.com or the SEDAR+ website at www.sedarplus.ca.

You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

The net assets of the Pender Alternative Arbitrage Fund (the “Fund”) were \$8,494,135 as at June 30, 2026 versus \$10,310,527 as at December 31, 2025. Of this \$1,816,392 decrease, \$32,106 is attributable to positive investment performance and \$1,848,498 is attributable to net unitholder redemptions of Fund units.

For the six months ended June 30, 2026 (the “period”), Class A units of the Fund generated a total return of -0.3%. Returns for other classes also denominated in Canadian dollars of the Fund will be similar to Class A with any difference in performance being primarily due to the different management fees that are applicable to different classes. The return for classes denominated in US dollars will differ from their corresponding Canadian denominated class primarily due to foreign currency. Please see the “Past Performance” section for the performance of the Fund’s other classes.

The Fund’s broad-based benchmark, HFRI ED: Merger Arbitrage Index (USD), returned 4.2% during the period. In accordance with National Instrument 81-106, we have included a comparison to this broad-based benchmark to help you understand the Fund’s performance relative to the general performance of the market, but we caution that the Fund’s mandate may be significantly different from the index. Further, the Fund’s returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund’s benchmark, which are based on the performance of an index that does not pay fees or incur expenses.

As at the end of the period, the Fund was 99.5% invested in long positions, -7.6% invested in short positions. The geographic positioning of the Fund remains predominantly tilted towards the US with 69.1% of net exposure in this jurisdiction. The Fund remains broadly diversified across various industries and skewed to smaller companies. As at June 30, 2026, the Fund had a net exposure of 88.6% invested primarily in small, micro and mid-cap businesses. We feel this smaller market cap size is less exposed to the regulatory risk faced by larger merger deals and leverages the broader equity investment process at the Manager with its extensive research relating to smaller companies.

The overall sector exposure of the Fund is determined by stock selection decisions and may shift from time to time. As at June 30, 2026, we were weighted toward long position holdings in Financial Services, Health Care and Real Estate sectors, because those are the sectors where we believe we are finding the best investment opportunities currently. These top three sectors accounted for 70.9% (long positions) of the Fund at the end of the period.

The following comments and the comments under “Recent Developments” reflect the views of the portfolio management team and are based on information as at the end of the period. Please read the caution regarding forward-looking statements located on the last page of this document.

The Fund’s underperformance as compared to its benchmark was mainly due to underweight allocations to both the Consumer Staples and Information Technology sectors. We do not actively manage sector weightings in the Fund, rather, our sector weightings are determined by individual stock selection through a bottom-up fundamental investment process.

Key positive contributors to the Fund’s performance during the year were positions in McEwen Inc., Transocean Ltd., and Green Dot Corp. Conversely, positions in Elme Communities, Canadian Gold Corp., and LENSAR Inc. were key detractors.

To achieve the Fund’s objective of generating consistent, positive returns with low volatility and low correlation to equity markets, the Fund employs arbitrage strategies, which are specialized investment techniques designed with the goal of profiting from the successful completion of mergers, take-overs, tender offers, leveraged buyouts, spin-offs, liquidations and other corporate reorganizations. We may also use a variety of additional investment strategies permitted within an alternative mutual fund, including but not limited to investing in special purpose acquisition companies (“SPACs”), convertible securities, and preferred shares.

Portfolio transactions during the year were made based on our investment process that aims to identify attractive arbitrage opportunities, particularly in merger deals. In general, we added positions to the portfolio that we felt offered an attractive spread relative to the probability that a merger deal will close. The strategy seeks to exploit this return opportunity and deliver a relatively low volatility return to unitholders. We are constantly looking for new investment ideas and we may liquidate our positions for various reasons, such as when share prices have reached our assessment of fair value, when an acquisition has occurred, or where we have changed our investment thesis.

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Recent Developments

Global M&A activity continues to strengthen throughout 2026. Global deal value hit \$1.3 trillion in Q2, up 35.3% year-over-year, though down 18.4% from Q1's record pace. Deal count held broadly steady at 11,880, up 3.4% year-over-year. This year's value appears to be pooled at the top while the underlying deal base has stayed largely intact. Deals of \$5 billion or more accounted for \$553 billion of value across just 34 transactions, close to 42% of total M&A value for the quarter. The recovery was led by the technology sector, with SpaceX completing its \$250 billion acquisition of xAI in February and undertaking a \$60 billion deal for Anysphere (Cursor) in June, the marquee transaction in a sector split between AI-driven strategic megadeals and a near-collapse in sponsor-led software buyouts. Energy stayed active too, posting its second-highest quarter on record at \$217 billion (up 385.5% year-over-year), anchored by Dominion Energy's \$118.5 billion tie-up with NextEra Energy and powered by the emerging structural demand story from AI datacenters. We also continue to see M&A activity pick up across small and mid-cap names as private markets begin to recognize value in the public small- and mid-cap space, where valuations have remained disconnected from long-term fundamentals. Combined with ongoing tariff uncertainty, an evolving geopolitical landscape, and a pronounced valuation gap between small- and large-cap equities, this active M&A backdrop is creating an expanding opportunity set with near-term catalysts, an environment we believe is increasingly constructive for our equity, event-driven, and arbitrage strategies, and well suited to catalyst-driven, special situations investing.

A defining feature of the 2025 M&A landscape was the interplay between shareholder activism, balance-sheet optimization, and portfolio transformation. Activist campaigns remain elevated in 2026, contributing to increased divestiture activity, spin-offs, and carve-outs that both generated transaction flow and created acquisition currency for larger platforms. At the same time, improved financing availability and greater clarity around interest-rate policy reduced execution risk, while a more permissive regulatory tone supported the completion of larger and more complex transactions.

Looking ahead, we believe the outlook for M&A remains favorable as favorable regulatory dynamics persist alongside supportive capital markets and strong strategic incentives. Corporate balance sheets remain well capitalized, private equity dry powder is substantial, and management teams continue to face pressure to drive growth, optimize portfolios, and deploy excess capital efficiently. With regulatory agencies signaling flexibility and a willingness to facilitate transactions that advance economic and strategic objectives, we expect dealmakers to remain active, particularly in sectors where scale, technology investment, and operational efficiency are critical competitive advantages. Taken together, improved regulatory visibility, abundant capital, and enduring strategic rationale underpin our view that the current M&A cycle has further room to run this year.

Alternative investment strategies like merger arbitrage offer a low-risk, noncorrelated and tax-efficient investment opportunity for investors seeking to diversify their portfolios. The market backdrop remains broadly supportive of M&A activity and well suited to non-correlated, event-driven investment strategies. While inflation pressures have continued to ease and policy rates have begun to normalize, uncertainty around the longer-term rate path persists, particularly at the long end of the curve. Long-duration assets remain sensitive to fiscal dynamics, supply-demand imbalances, and shifting expectations around growth and inflation, contributing to periodic volatility across both equity and fixed income markets. Against this environment, M&A activity has shown notable durability, underpinned by healthy corporate balance sheets, improved access to financing, and a regulatory landscape that has become more navigable for both strategic acquirers and financial sponsors.

Independent Review Committee ("IRC") Appointments & Resignations

Effective March 12, 2026, Robin Mahood stepped down from the Independent Review Committee and Natascha Kiernan joined the Independent Review Committee.

Related Party Transactions

The Fund pays management and administration fees to the Manager for management and portfolio advisory services (see "Management and Administration Fees"). The Fund also pays the Manager performance fees (see "Performance Fees").

As at the end of the period, parties related to the Manager collectively held nil of the Fund's units. In addition, the Pender Income Advantage Fund, a fund also managed by the Manager, held 18% of the Fund's outstanding units.

Management and Administration Fees

The Fund pays management and administration fees calculated as a percentage of the net asset value of each respective class. The Management Expense Ratio ("MER") before applicable taxes such as GST or HST for each class does not exceed certain levels as set out in the Fund's offering documents. The fees are calculated at the close of business on each valuation day and are paid monthly. In exchange for the administration fee, the Manager pays the operating costs of the Fund.

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Management fees are used by the Manager, in part, to pay sales commissions, trailer fees, marketing costs and other associated distribution costs relating to the sale of units of the Fund. Such expenses represented approximately 9% of the management fees paid by the Fund to the Manager for the period.

Performance Fees

The Manager is also entitled to a performance fee plus applicable taxes such as GST or HST on all classes of units of the Fund. For Class O units, the performance fee is or will be separately negotiated and charged directly to Class O Unitholders, as applicable. The performance fee is equal to 15% of the amount by which the total return of the class of units exceeds the previous high-water mark for each applicable class of units for the period since the performance fee was last paid. The high-water mark is the net asset value of the applicable class of units to which it applies as at the most recent determination date on which a performance fee was payable. Performance fees will be calculated and accrued daily, and such accrued fees will be payable by the Fund at the end of each year. The Manager has reserved the right to change the period for which any performance fee may be paid by a Fund. The Manager, at its discretion, may reduce or waive performance fees.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period and calendar years indicated.

Fund's Net Assets Per Unit (a)

	2026 (\$)	2025 (\$)	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)
Class A (formerly Class H)						
Net Assets, beginning of period	9.08	9.71	9.80	10.33	10.19	10.00
Increase (decrease) from operations:						
Total revenue	0.05	0.22	0.27	0.15	0.38	-
Total expenses	(0.11)	(0.39)	(0.32)	(0.30)	(0.50)	(0.01)
Realized gains (losses)	0.03	0.85	0.38	0.34	-	(0.03)
Unrealized gains (losses)	0.01	(0.16)	(0.01)	(0.16)	0.55	0.25
Total increase (decrease) from operations (b)	(0.02)	0.52	0.32	0.03	0.43	0.21
Distributions:						
From income (excluding dividends)	-	-	(0.04)	-	(0.07)	(0.01)
From dividends	-	-	-	-	(0.01)	(0.01)
From capital gains	-	(1.05)	(0.37)	(0.57)	(0.10)	-
Return of capital	-	-	-	-	-	-
Total distributions (b), (c)	-	(1.05)	(0.41)	(0.57)	(0.18)	(0.02)
Net Assets, end of period	9.05	9.08	9.71	9.80	10.33	10.19

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Fund's Net Assets Per Unit (a) (cont'd)

	2026 (\$)	2025 (\$)	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)
Class AF						
Net Assets, beginning of period	9.51	10.06	10.06	10.48	10.19	10.00
Increase (decrease) from operations:						
Total revenue	0.06	0.23	0.29	0.16	0.15	-
Total expenses	(0.10)	(0.34)	(0.31)	(0.28)	(0.27)	(0.02)
Realized gains (losses)	(0.01)	0.85	0.40	0.27	0.33	(0.06)
Unrealized gains (losses)	0.03	(0.16)	(0.03)	(0.10)	0.15	0.29
Total increase (decrease) from operations (b)	(0.02)	0.58	0.35	0.05	0.36	0.21
Distributions:						
From income (excluding dividends)	-	-	(0.03)	-	-	(0.01)
From dividends	-	-	-	-	-	(0.01)
From capital gains	-	(1.03)	(0.31)	(0.49)	(0.05)	-
Return of capital	-	-	-	-	-	-
Total distributions (b), (c)	-	(1.03)	(0.34)	(0.49)	(0.05)	(0.02)
Net Assets, end of period	9.48	9.51	10.06	10.06	10.48	10.19
Class E						
Net Assets, beginning of period	8.85	9.04	9.31	9.72	10.00	
Increase (decrease) from operations:						
Total revenue	0.06	0.24	0.26	0.15	(0.09)	
Total expenses	(0.03)	(0.19)	(0.22)	(0.16)	(0.04)	
Realized gains (losses)	0.07	0.50	0.39	0.31	0.77	
Unrealized gains (losses)	(0.05)	(0.01)	(0.03)	(0.15)	(0.37)	
Total increase (decrease) from operations (b)	0.05	0.54	0.40	0.15	0.27	
Distributions:						
From income (excluding dividends)	-	(0.08)	(0.17)	-	(0.13)	
From dividends	-	(0.05)	(0.02)	(0.05)	(0.02)	
From capital gains	-	(0.58)	(0.50)	(0.54)	(0.28)	
Return of capital	-	-	-	-	-	
Total distributions (b), (c)	-	(0.71)	(0.69)	(0.59)	(0.43)	
Net Assets, end of period	8.90	8.85	9.04	9.31	9.72	
Class F (formerly Class I)						
Net Assets, beginning of period	9.67	10.16	9.88	10.32	10.19	10.00
Increase (decrease) from operations:						
Total revenue	0.06	0.32	0.30	0.16	0.21	-
Total expenses	(0.08)	(0.37)	(0.26)	(0.24)	(0.34)	(0.01)
Realized gains (losses)	0.09	0.60	0.47	0.26	0.50	(0.03)
Unrealized gains (losses)	(0.05)	(0.06)	(0.10)	(0.03)	0.15	0.25
Total increase (decrease) from operations (b)	0.02	0.49	0.41	0.15	0.52	0.21
Distributions:						
From income (excluding dividends)	-	(0.10)	(0.02)	-	(0.07)	(0.01)
From dividends	-	(0.05)	-	(0.03)	(0.01)	(0.01)
From capital gains	-	(0.83)	(0.10)	(0.54)	(0.15)	-
Return of capital	-	-	-	-	-	-
Total distributions (b), (c)	-	(0.98)	(0.12)	(0.57)	(0.23)	(0.02)
Net Assets, end of period	9.68	9.67	10.16	9.88	10.32	10.19

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Fund's Net Assets Per Unit (a) (cont'd)

	2026 (\$)	2025 (\$)	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)
Class FF						
Net Assets, beginning of period	9.79	10.11	10.06	10.56	10.19	10.00
Increase (decrease) from operations:						
Total revenue	0.06	0.29	0.29	0.16	0.17	0.01
Total expenses	(0.06)	(0.23)	(0.22)	(0.19)	(0.20)	(0.02)
Realized gains (losses)	0.07	0.63	0.40	0.42	0.28	(0.07)
Unrealized gains (losses)	(0.04)	(0.12)	(0.01)	(0.25)	0.19	0.30
Total increase (decrease) from operations (b)	0.03	0.57	0.46	0.14	0.44	0.22
Distributions:						
From income (excluding dividends)	-	(0.09)	(0.12)	-	(0.03)	(0.01)
From dividends	-	(0.05)	(0.01)	(0.02)	(0.01)	(0.01)
From capital gains	-	(0.73)	(0.27)	(0.67)	-	-
Return of capital	-	-	-	-	-	-
Total distributions (b), (c)	-	(0.87)	(0.40)	(0.69)	(0.04)	(0.02)
Net Assets, end of period	9.82	9.79	10.11	10.06	10.56	10.19
Class O						
Net Assets, beginning of period	9.82	10.17	10.11	10.56	10.19	10.00
Increase (decrease) from operations:						
Total revenue	0.06	0.28	0.29	0.16	0.31	-
Total expenses	(0.02)	(0.04)	(0.06)	(0.07)	(0.11)	(0.01)
Realized gains (losses)	0.06	0.71	0.41	0.38	0.14	(0.03)
Unrealized gains (losses)	(0.03)	(0.14)	(0.01)	(0.21)	0.42	0.25
Total increase (decrease) from operations (b)	0.07	0.81	0.63	0.26	0.76	0.21
Distributions:						
From income (excluding dividends)	-	(0.19)	(0.30)	-	(0.15)	(0.01)
From dividends	-	(0.12)	(0.04)	(0.13)	(0.02)	(0.01)
From capital gains	-	(0.81)	(0.22)	(0.61)	-	-
Return of capital	-	-	-	-	-	-
Total distributions (b), (c)	-	(1.12)	(0.56)	(0.74)	(0.17)	(0.02)
Net Assets, end of period	9.88	9.82	10.17	10.11	10.56	10.19

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Fund's Net Assets Per Unit (a) (cont'd)

	2026 (\$)	2025 (\$)	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)
Class F (USD) (formerly Class I (USD))						
Net Assets, beginning of period	13.64	13.46	12.26	13.19	13.00	
Increase (decrease) from operations:						
Total revenue	0.09	0.21	0.35	0.22	0.06	
Total expenses	(0.14)	(0.62)	(0.37)	(0.33)	(0.12)	
Realized gains (losses)	0.27	1.07	1.04	0.20	0.38	
Unrealized gains (losses)	0.29	0.27	0.66	(0.20)	0.25	
Total increase (decrease) from operations (b)	0.51	0.93	1.68	(0.11)	0.57	
Distributions:						
From income (excluding dividends)	-	-	(0.12)	-	(0.16)	
From dividends	-	-	(0.02)	(0.06)	(0.02)	
From capital gains	-	-	(0.34)	(0.79)	(0.36)	
Return of capital	-	-	-	-	-	
Total distributions (b), (c)	-	-	(0.48)	(0.85)	(0.54)	
Net Assets, end of period	14.19	13.64	13.46	12.26	13.19	

(a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under IFRS Accounting Standards.

(b) Net assets per unit and distributions per unit are based on the actual number of units for the relevant Fund class outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding during the period.

(c) Distributions were paid in cash and/or reinvested in additional units of the Fund.

Ratios and Supplemental Data

	2026	2025	2024	2023	2022	2021
Class A (formerly Class H)						
Total net asset value (\$000s) (a)	34	74	173	176	166	5
Number of units outstanding (a)	3,707	8,116	17,826	17,989	16,031	501
Management expense ratio before performance fee (b)	2.16%	2.09%	2.11%	2.10%	2.25%	0.00%
Management expense ratio (b)	2.22%	2.97%	2.68%	2.23%	3.66%	0.00%
Management expense ratio before absorptions (c)	2.22%	2.97%	2.68%	2.23%	3.87%	2.11%
Trading expense ratio (d)	0.25%	0.33%	0.36%	0.33%	0.51%	0.69%
Portfolio turnover rate (e)	116.02%	326.55%	380.27%	435.59%	242.20%	43.18%
Net asset value per unit (\$) (a)	9.05	9.08	9.71	9.80	10.33	10.19
Class AF						
Total net asset value (\$000s) (a)	411	525	1,976	2,466	2,551	1,782
Number of units outstanding (a)	43,303	55,248	196,324	245,161	243,197	174,924
Management expense ratio before performance fee (b)	1.85%	1.78%	1.80%	1.80%	1.77%	0.00%
Management expense ratio (b)	1.88%	2.92%	2.43%	1.97%	1.93%	0.00%
Management expense ratio before absorptions (c)	1.88%	2.92%	2.43%	1.97%	2.55%	1.74%
Trading expense ratio (d)	0.25%	0.33%	0.36%	0.33%	0.51%	0.69%
Portfolio turnover rate (e)	116.02%	326.55%	380.27%	435.59%	242.20%	43.18%
Net asset value per unit (\$) (a)	9.48	9.51	10.06	10.06	10.48	10.19

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Ratios and Supplemental Data (cont'd)

	2026	2025	2024	2023	2022	2021
Class E						
Total net asset value (\$000s) (a)	169	178	266	170	84	
Number of units outstanding (a)	18,940	20,067	29,401	18,227	8,589	
Management expense ratio before performance fee (b)	0.21%	0.50%	0.53%	0.53%	1.02%	
Management expense ratio (b)	0.43%	1.66%	1.79%	0.93%	1.90%	
Management expense ratio before absorptions (c)	0.43%	1.66%	1.79%	0.93%	2.39%	
Trading expense ratio (d)	0.25%	0.33%	0.36%	0.33%	0.51%	
Portfolio turnover rate (e)	116.02%	326.55%	380.27%	435.59%	242.20%	
Net asset value per unit (\$) (a)	8.90	8.85	9.04	9.31	9.72	
Class F (formerly Class I)						
Total net asset value (\$000s) (a)	1,808	2,137	1,410	2,706	1,237	5
Number of units outstanding (a)	186,799	220,868	138,797	273,860	119,853	501
Management expense ratio before performance fee (b)	1.29%	1.25%	1.25%	1.24%	1.29%	0.00%
Management expense ratio (b)	1.35%	2.58%	2.03%	1.63%	2.51%	0.00%
Management expense ratio before absorptions (c)	1.35%	2.58%	2.03%	1.63%	2.69%	1.24%
Trading expense ratio (d)	0.25%	0.33%	0.36%	0.33%	0.51%	0.69%
Portfolio turnover rate (e)	116.02%	326.55%	380.27%	435.59%	242.20%	43.18%
Net asset value per unit (\$) (a)	9.68	9.67	10.16	9.88	10.32	10.19
Class FF						
Total net asset value (\$000s) (a)	4,494	5,380	6,505	10,265	15,012	9,910
Number of units outstanding (a)	457,611	549,719	643,648	1,020,587	1,420,719	972,836
Management expense ratio before performance fee (b)	0.72%	0.71%	0.71%	0.71%	0.67%	0.00%
Management expense ratio (b)	0.87%	1.85%	1.57%	1.06%	1.25%	0.00%
Management expense ratio before absorptions (c)	0.87%	1.85%	1.57%	1.06%	1.56%	0.69%
Trading expense ratio (d)	0.25%	0.33%	0.36%	0.33%	0.51%	0.69%
Portfolio turnover rate (e)	116.02%	326.55%	380.27%	435.59%	242.20%	43.18%
Net asset value per unit (\$) (a)	9.82	9.79	10.11	10.06	10.56	10.19
Class O						
Total net asset value (\$000s) (a)	1,555	1,993	2,821	4,040	5,100	168
Number of units outstanding (a)	157,353	203,008	277,402	399,614	482,623	16,528
Management expense ratio before performance fee (b)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio (b)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio (d)	0.25%	0.33%	0.36%	0.33%	0.51%	0.69%
Portfolio turnover rate (e)	116.02%	326.55%	380.27%	435.59%	242.20%	43.18%
Net asset value per unit (\$) (a)	9.88	9.82	10.17	10.11	10.56	10.19

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Ratios and Supplemental Data (cont'd)

	2026	2025	2024	2023	2022	2021
Class F (USD) (formerly Class I (USD))						
Total net asset value (\$000s) (a)	24	23	457	400	7	
Number of units outstanding (a)	1,715	1,715	33,975	32,619	521	
Management expense ratio before performance fee (b)	1.24%	1.31%	1.32%	1.21%	1.65%	
Management expense ratio (b)	1.75%	3.50%	2.31%	1.68%	2.00%	
Management expense ratio before absorptions (c)	1.75%	3.50%	2.31%	1.68%	2.49%	
Trading expense ratio (d)	0.25%	0.33%	0.36%	0.33%	0.51%	
Portfolio turnover rate (e)	116.02%	326.55%	380.27%	435.59%	242.20%	
Net asset value per unit (\$) (a)	14.19	13.64	13.46	12.26	13.19	

(a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under IFRS Accounting Standards.

(b) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the period and is expressed as an annualized percentage of daily average net asset value during the period. The MER may vary from one class of units to another because of differences in the applicable management fees and certain fees and expenses may have been absorbed by the Manager which would otherwise be paid by the Fund. Management expense ratio before performance fee is the MER before any performance fees, if applicable, for the stated period.

(c) The Manager of the Fund has agreed to absorb sufficient expenses of the Fund, as necessary, so that the annual MER before applicable taxes such as GST or HST will not exceed certain limits as outlined in the Fund's Simplified Prospectus. The amount of expenses absorbed is at the discretion of the Manager as set out in the Fund's Simplified Prospectus, and the Manager may in its sole discretion cease to absorb expenses.

(d) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(e) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. In general, the higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Pender Alternative Arbitrage Fund

Six months ended June 30, 2026

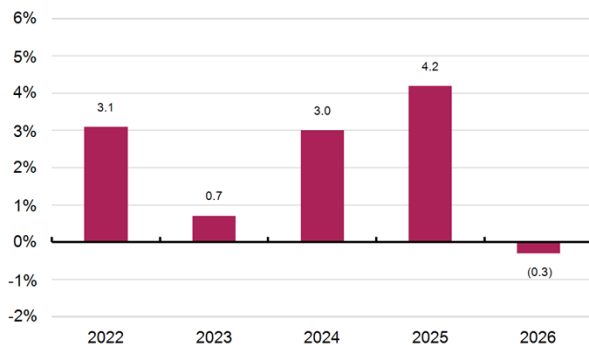
Past Performance

The following charts show the past performance for the units of each class of the Fund and do not necessarily indicate how the Fund will perform in the future. The information shown assumes that any distributions made by the Fund were reinvested in additional units of the Fund. Returns would be different if an investor did not reinvest distributions. In addition, the information does not take into account sales, redemptions, income taxes payable or other charges that would have reduced returns or performance.

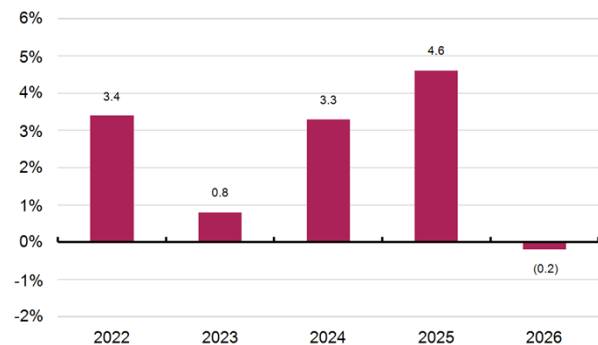
Period-by-Period Returns

To illustrate how the Fund's performance has varied over time, the following bar charts show the Fund's performance for the six-month period ended June 30, 2026 and for each of the previous 12-month periods ended December 31. The information is presented starting from the first full financial year of the respective Fund class. In percentage terms, the bar charts show how much an investment held on the first day of the period would have increased or decreased by the last day of the period.

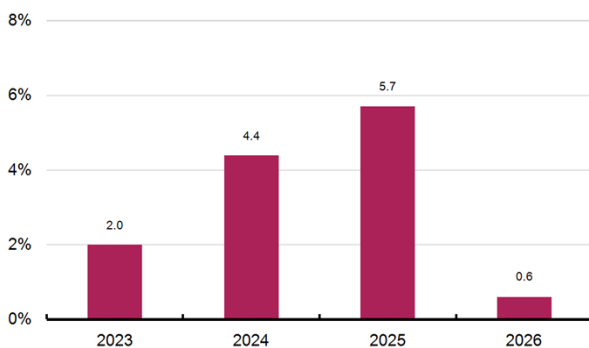
Class A (formerly Class H)



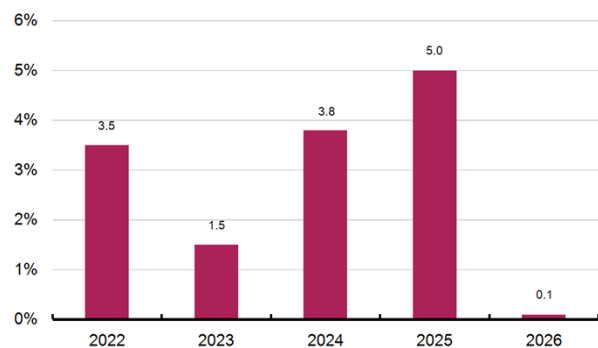
Class AF



Class E



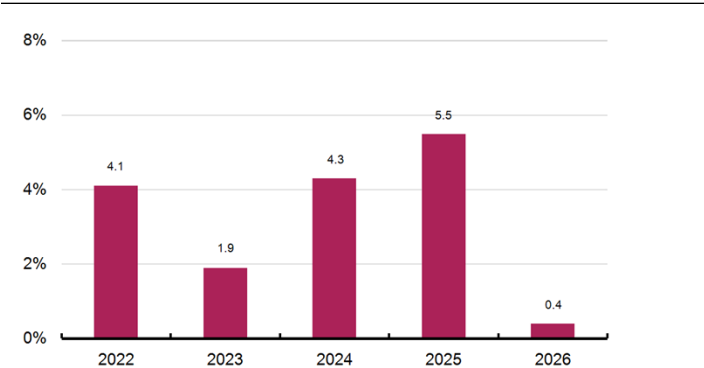
Class F (formerly Class I)



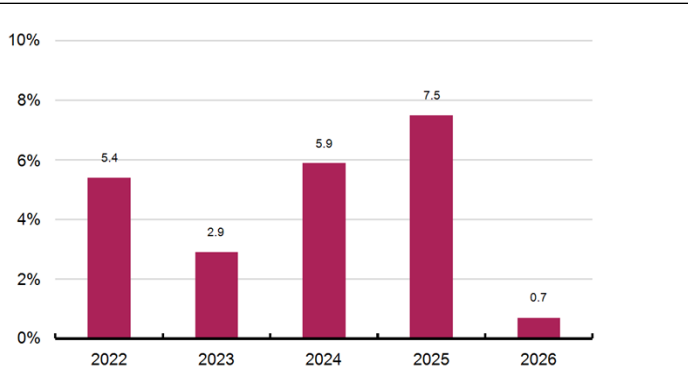
Pender Alternative Arbitrage Fund

Six months ended June 30, 2026

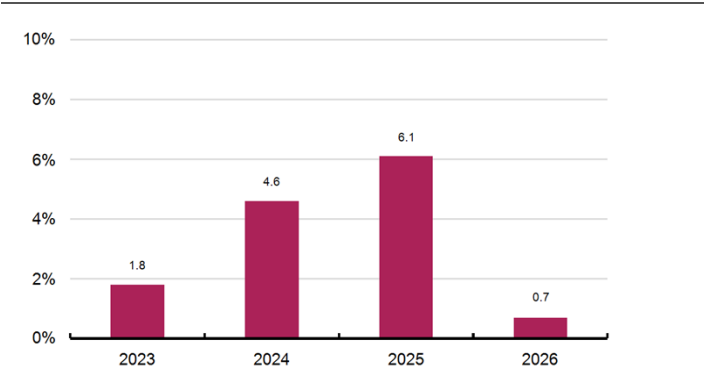
Class FF



Class O



Class F (USD) (formerly Class I (USD))



Pender Alternative Arbitrage Fund

Six months ended June 30, 2026

Summary of Investment Portfolio

The largest holdings of the Fund as at the end of the period and the major asset classes in which the Fund was invested are indicated below. Where the Fund has less than 25 holdings, the table will show the Fund's entire investment portfolio. The investment portfolio may change due to ongoing portfolio transactions. An update of the Fund's summary of investment portfolio as at the end of each calendar quarter is available from the Manager. Please see the front page of this document for information about how this can be obtained.

Top 25 Holdings

	% of Net Assets
LONG POSITIONS	
MAK Acquisition Corp.	4.3
Bel Fuse Inc., Class 'A'	2.4
kneat.com inc.	2.3
Chart Industries Inc.	2.1
Green Dot Corp., Class 'A'	2.0
InterRent REIT	1.9
Drugs Made In America Acquisition II Corp.	1.8
Esperion Therapeutics Inc.	1.7
Globalstar Inc.	1.6
Janus Henderson Group PLC	1.6
Laurentian Bank of Canada	1.6
Sizzle Acquisition Corp. II, Class 'A'	1.6
Andrew Peller Ltd., Class 'A'	1.5
Forefront Tech Holdings Acquisition Corp.	1.5
Select Medical Holdings Corp.	1.5
EQV Ventures Acquisition Corp. II, Class 'A'	1.4
Minto Apartment REIT	1.4
Titan Acquisition Corp., Class 'A'	1.4
Clear Channel Outdoor Holdings Inc.	1.3
Computer Programs and Systems Inc.	1.3
Highview Merger Corp., Class 'A'	1.3
Whitestone REIT, Class 'B'	1.3
NCR Atleos Corp.	1.2
Solaris Capital Acquisition Corp., Class 'A'	1.2
SHORT POSITIONS	
Bel Fuse Inc., Class 'B'	(2.8)

Pender Alternative Arbitrage Fund

Six months ended June 30, 2026

Composition of the Portfolio

	% of Net Assets
LONG POSITIONS	
Common shares	
Financial services	50.5
Health care	13.4
Real estate	7.0
Communication services	6.6
Information technology	5.5
Banks	5.0
Industrials	3.2
Utilities	3.1
Consumer discretionary	1.6
Consumer staples	1.6
Materials	0.7
Energy	0.6
Insurance	0.5
Total common shares	99.3
Warrants	0.2
Total long positions	99.5
SHORT POSITIONS	
Common shares	
Information technology	(2.8)
Banks	(1.0)
Utilities	(0.7)
Energy	(0.6)
Materials	(0.5)
Real estate	(0.5)
Industrials	(0.4)
Health care	(0.1)
Total common shares	(6.6)
Exchange-traded fund(s)	(1.0)
Total short positions	(7.6)
Total investments	91.9
Currency forwards	(2.8)
Total derivative liabilities	(2.8)
Cash (Bank overdraft)	11.2
Other assets less liabilities	(0.3)
Total net assets	100.0

Pender Alternative Arbitrage Fund

Six months ended June 30, 2026

Caution Regarding Forward-Looking Statements

This report contains forward-looking statements about the Fund, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies or prospects, and possible future Fund action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Fund and economic factors, among other things.

Forward-looking statements are not a guarantee of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these digressions, including, but not limited to: geopolitical events, general economic conditions, political and market factors around the world; interest rates and inflation; fiscal and monetary policy; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings; catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, except as may be required under applicable law, the Manager has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.



Pender Alternative Arbitrage Fund

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