PenderFund Capital Management Ltd.

Pender Alternative Special Situations 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.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

The net assets of the Pender Alternative Special Situations Fund (the "Fund") were $9,060,555 as at June 30, 2026 versus $5,487,267 as at December 31, 2025. Of this $3,573,288 increase, $756,949 is attributable to positive investment performance and $2,816,339 is attributable to net unitholder purchases of Fund units.

For the six months ended June 30, 2026 (the "period"), Class A units of the Fund generated a total return of 12.4%. Returns for other classes 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. Please see the "Past Performance" section for the performance of the Fund's other classes.

The Fund's broad-based benchmark, the S&P/TSX Composite Index ("S&P/TSX"), returned 11.2% during the period. In accordance with National Instrument 81-106, we have included a comparison to this broad-based index 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 109.1% invested in long positions, -24.3% invested in short positions. The Fund's cash position may change over time as a result of portfolio transactions. The Fund's investment portfolio is concentrated and not diversified in the conventional sense. The Fund's top 10 holdings, both long and short, account for 12.0% of the Fund's net assets at the end of the period. This concentration may lead to varied results over any given 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 overperformance as compared to its benchmark was mainly due to an overweight allocation to the Communication Services sector and an underweight position to the Industrials sector. 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 individual contributors to the Fund's performance for the first half of the year included 5N Plus Inc., Telesat Corp., and Saturn Oil & Gas Inc. Conversely, Xtract One Technologies Inc., and Carrier Connect Data Solutions Inc. had the largest adverse impact.

Portfolio transactions during the period were made based on our stock selection process. In general, we increased weightings of individual stocks where we determined the price relative to our estimate of intrinsic value had increased and decreased the weightings of companies that offered a less attractive return profile. We are constantly looking for new investment ideas and examples of new investments during the first half of the year included Logan Energy Corp., and General Fusion Inc. 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. For example, during the first half of the year, we sold our position in ARC Resources Ltd.

Recent Developments

Equity markets continued to deliver strong results in the first half of 2026, despite volatility that became a constant theme following the onset of the conflict in Iran. The US/Israel-Iran conflict emerged as the dominant macro factor, disrupting global supply chains and triggering a systemic energy supply shock following the effective closure of the Strait of Hormuz. Even so, market resilience shone through. Looking ahead, markets continue to face lingering volatility risks stemming from perceived AI-driven disruption, the energy supply shock, re-accelerating inflation, and a "higher-for-longer" monetary policy regime.

Over the course of the first half of 2026, enthusiasm surrounding AI remained a dominant headline, driving extreme performance divergence between hardware "winners" and software "losers." Massive hyperscale capital expenditure fueled record returns for semiconductor and infrastructure providers, while the same trend triggered a valuation reset for software companies as investors feared structural disruption to traditional business models. While the transformative potential of AI is undeniable, the speed and concentration of gains inevitably invited comparisons to earlier periods of excess, including the dot-com era.

We continue to see M&A activity pick up across small- and mid-cap names. 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. 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.

The Fund remains well positioned to navigate volatility and capitalize on idiosyncratic opportunities as market conditions continue to evolve.

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.

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. From commencement of operations of the Fund to December 31, 2025, the Manager had waived all management fees, administration fees and custody related transaction costs for the Fund.

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 a 6% hurdle rate, for the period since the performance fee was last paid, subject to accumulation in years where no performance is paid, provided that the total return of the relevant class of units for such period exceeds the previous high-water mark. 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						
Net Assets, beginning of period	32.25	23.58	18.89	15.47	18.75	14.80
Increase (decrease) from operations:						
Total revenue	-	0.21	0.20	0.98	0.18	0.21
Total expenses	(1.02)	(0.24)	(0.24)	(0.43)	(0.06)	(0.16)
Realized gains (losses)	4.56	1.62	0.75	1.81	(4.11)	4.26
Unrealized gains (losses)	(0.55)	7.19	4.00	1.32	(0.02)	(0.30)
Total increase (decrease) from operations (b)	**2.99**	**8.78**	**4.71**	**3.68**	**(4.01)**	**4.01**
Distributions:						
From income (excluding dividends)	-	-	(0.04)	-	(0.12)	(0.01)
From dividends	-	(0.02)	(0.03)	(0.43)	(0.07)	(0.08)
From capital gains	-	-	-	-	-	(1.46)
Return of capital	-	-	-	-	-	-
Total distributions (b), (c)	**-**	**(0.02)**	**(0.07)**	**(0.43)**	**(0.19)**	**(1.55)**
Net Assets, end of period	**36.25**	**32.25**	**23.58**	**18.89**	**15.47**	**18.75**
Class E						
Net Assets, beginning of period	17.19	12.57	10.05	8.25	10.00	10.00
Increase (decrease) from operations:						
Total revenue	-	0.11	0.11	0.52	0.12	0.09
Total expenses	(0.36)	(0.13)	(0.12)	(0.23)	(0.04)	(0.07)
Realized gains (losses)	2.40	0.95	0.47	0.88	(2.44)	1.11
Unrealized gains (losses)	(0.04)	3.96	2.06	0.78	0.44	(0.04)
Total increase (decrease) from operations (b)	**2.00**	**4.89**	**2.52**	**1.95**	**(1.92)**	**1.09**
Distributions:						
From income (excluding dividends)	-	-	(0.02)	-	(0.06)	0.00
From dividends	-	(0.01)	(0.02)	(0.23)	(0.04)	(0.05)
From capital gains	-	-	-	-	-	(0.78)
Return of capital	-	-	-	-	-	-
Total distributions (b), (c)	**-**	**(0.01)**	**(0.04)**	**(0.23)**	**(0.10)**	**(0.83)**
Net Assets, end of period	**19.52**	**17.19**	**12.57**	**10.05**	**8.25**	**10.00**

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

	2026 ($)	2025 ($)	2024 ($)	2023 ($)	2022 ($)	2021 ($)
Class F (formerly Class I)						
Net Assets, beginning of period	17.18	12.56	10.01	8.25	10.00	10.00
Increase (decrease) from operations:						
Total revenue	-	0.13	0.11	0.46	0.09	0.14
Total expenses	(0.48)	(0.14)	(0.13)	(0.23)	(0.03)	(0.11)
Realized gains (losses)	2.37	0.37	0.43	0.76	(2.41)	0.68
Unrealized gains (losses)	0.05	4.60	1.86	1.11	0.22	(2.97)
Total increase (decrease) from operations (b)	**1.94**	**4.96**	**2.27**	**2.10**	**(2.13)**	**(2.26)**
Distributions:						
From income (excluding dividends)	-	-	(0.02)	-	(0.06)	0.00
From dividends	-	(0.01)	(0.02)	(0.24)	(0.04)	(0.05)
From capital gains	-	-	-	-	-	(0.78)
Return of capital	-	-	-	-	-	-
Total distributions (b), (c)	**-**	**(0.01)**	**(0.04)**	**(0.24)**	**(0.10)**	**(0.83)**
Net Assets, end of period	**19.40**	**17.18**	**12.56**	**10.01**	**8.25**	**10.00**
Class O						
Net Assets, beginning of period	17.19	12.57	10.04	8.25	10.00	10.00
Increase (decrease) from operations:						
Total revenue	-	0.11	0.09	0.50	0.11	0.06
Total expenses	(0.06)	(0.13)	(0.13)	(0.23)	(0.04)	(0.05)
Realized gains (losses)	2.46	0.91	0.44	0.93	(2.19)	0.78
Unrealized gains (losses)	0.20	3.74	2.16	0.83	0.43	0.03
Total increase (decrease) from operations (b)	**2.60**	**4.63**	**2.56**	**2.03**	**(1.69)**	**0.82**
Distributions:						
From income (excluding dividends)	-	-	(0.02)	-	(0.06)	0.00
From dividends	-	(0.01)	(0.02)	(0.23)	(0.04)	(0.05)
From capital gains	-	-	-	-	-	(0.78)
Return of capital	-	-	-	-	-	-
Total distributions (b), (c)	**-**	**(0.01)**	**(0.04)**	**(0.23)**	**(0.10)**	**(0.83)**
Net Assets, end of period	**19.83**	**17.19**	**12.57**	**10.04**	**8.25**	**10.00**

(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						
Total net asset value ($000s) (a)	1,241	630	411	314	310	420
Number of units outstanding (a)	34,237	19,519	17,409	16,622	20,022	22,408
Management expense ratio before performance fee (b)	2.48%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio (b)	5.08%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	5.08%	10.73%	6.51%	5.32%	2.67%	2.62%
Trading expense ratio (d)	0.64%	0.88%	1.08%	2.51%	0.42%	1.17%
Portfolio turnover rate (e)	81.79%	89.85%	88.86%	105.63%	85.07%	161.57%
Net asset value per unit ($) (a)	36.25	32.25	23.58	18.89	15.47	18.75
Class E						
Total net asset value ($000s) (a)	739	490	301	294	185	120
Number of units outstanding (a)	37,864	28,518	23,966	29,267	22,395	12,009
Management expense ratio before performance fee (b)	0.21%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio (b)	3.16%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	3.16%	6.15%	3.70%	3.18%	0.61%	0.67%
Trading expense ratio (d)	0.64%	0.88%	1.08%	2.51%	0.42%	1.17%
Portfolio turnover rate (e)	81.79%	89.85%	88.86%	105.63%	85.07%	161.57%
Net asset value per unit ($) (a)	19.52	17.19	12.57	10.05	8.25	10.00
Class F (formerly Class I)						
Total net asset value ($000s) (a)	7,069	4,358	1,016	494	207	384
Number of units outstanding (a)	364,408	253,710	80,857	49,308	25,113	38,387
Management expense ratio before performance fee (b)	1.40%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio (b)	4.37%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	4.37%	8.49%	5.58%	4.07%	1.45%	1.51%
Trading expense ratio (d)	0.64%	0.88%	1.08%	2.51%	0.42%	1.17%
Portfolio turnover rate (e)	81.79%	89.85%	88.86%	105.63%	85.07%	161.57%
Net asset value per unit ($) (a)	19.40	17.18	12.56	10.01	8.25	10.00

Ratios and Supplemental Data (cont'd)

	2026	2025	2024	2023	2022	2021
Class O						
Total net asset value ($000s) (a)	11	10	7	6	5	5
Number of units outstanding (a)	562	562	562	561	548	541
Management expense ratio before performance fee (b)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio (b)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio (d)	0.64%	0.88%	1.08%	2.51%	0.42%	1.17%
Portfolio turnover rate (e)	81.79%	89.85%	88.86%	105.63%	85.07%	161.57%
Net asset value per unit ($) (a)	19.83	17.19	12.57	10.04	8.25	10.00

(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.

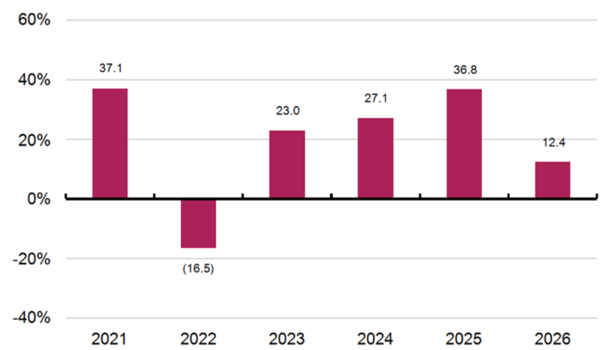
Past Performance

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.

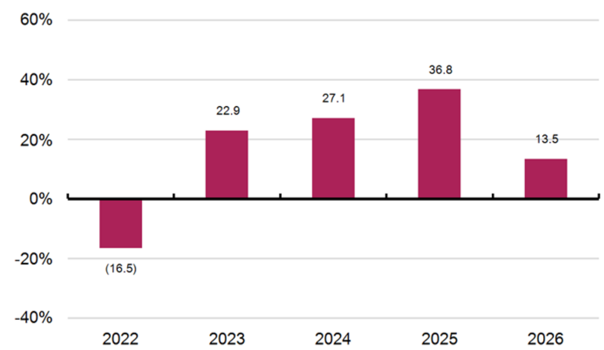
Period-by-Period Returns

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.

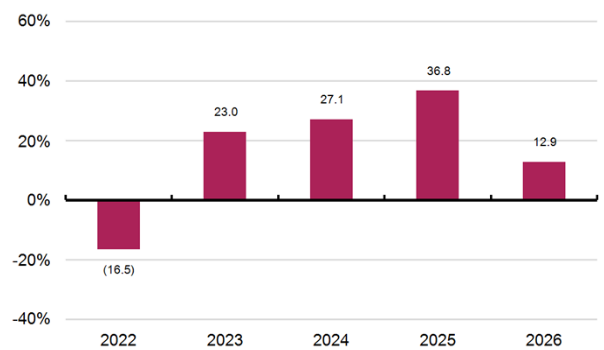
Class A



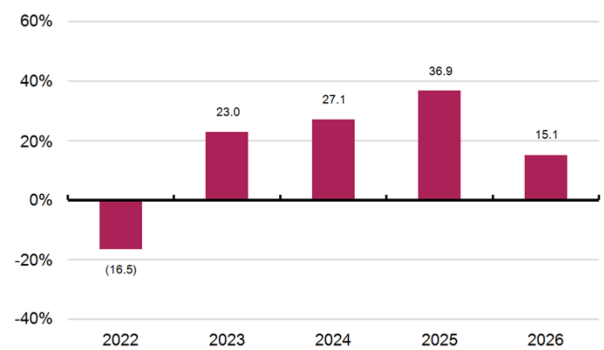
Class E



Class F (formerly Class I)



Class O



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	
Carrier Connect Data Solutions Inc.	6.7
Blue Moon Metals Inc.	6.1
Telesat Corp., Class 'A'	5.4
Kraken Robotics Inc.	5.3
MDA Space Ltd.	4.8
NexGen Energy Ltd.	4.2
IsoEnergy Ltd.	3.5
Logan Energy Corp.	3.4
Neo Performance Materials Inc.	3.4
5N Plus Inc.	3.1
Glass House Brand Inc., Warrants, strike price $5.00, expiry 2027/08/31	3.0
Canaccord Genuity Group Inc.	2.9
iFabric Corp.	2.8
Fox Tungsten Ltd.	2.3
Bitcoin Treasury Corp.	2.1
Sangoma Technologies Corp.	2.1
McDermott International Ltd.	2.0
Juno Industries Inc., Subscription Receipts	1.9
Montage Gold Corp.	1.8
PAR Technology Corp.	1.8
SHORT POSITIONS	
iShares Russell 2000 ETF	(6.0)
Invesco QQQ Trust, Series '1'	(5.6)
SPDR S&P 500 ETF Trust	(4.7)
iShares Core S&P/TSX Capped Composite Index ETF	(4.2)
iShares Bitcoin Trust ETF	(2.2)

Composition of the Portfolio

	% of Net Assets
LONG POSITIONS	
Closed end fund	0.5
Common shares	
Materials	31.0
Energy	22.7
Information technology	22.5
Industrials	7.4
Financial services	6.7
Communication services	5.4
Consumer discretionary	5.1
Consumer staples	1.5
Health care	1.0
Total common shares	**103.3**
Warrants	3.2
Exchanged-traded fund(s)	1.3
Preferred shares	0.8
Total long positions	**109.1**
SHORT POSITIONS	
Common shares	
Information technology	(1.6)
Total common shares	**(1.6)**
Exchange-traded fund(s)	(22.7)
Total short positions	**(24.3)**
Total investments	**84.8**
Cash (Bank overdraft)	16.4
Other assets less liabilities	(1.2)
Total net assets	**100.0**

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 Special Situations Fund

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