Manager's Commentary

Amar Pandya

The **Pender Alternative Special Situations Fund** returned -6.4%[1] in July, compared to the S&P/TSX Composite, which rose 1.2% during the month.

Index / Fund	1 month	1 year
Pender Alternative Special Situations Fund	-6.4%	29.6%
S&P/TSX Composite (CAD)	1.2%	32.3%

Fund Specific Updates

July was a challenging month for the Fund, as our holdings in two of our key thematics (space/defense and critical minerals) underperformed. **MDA Space Ltd. (MDA)**, **Telesat Corp. (TSAT)** and **Kraken Robotics Inc. (PNG)** were the most notable detractors, weighing on performance. Short-term share price fluctuations are to be expected in markets as volatile as what we've experienced in 2026, and we don't believe the weakness was driven by any deterioration in underlying fundamentals. Rather, it looked more like profit-taking, a reversal in momentum and softer investor sentiment toward the broader space sector as enthusiasm around SpaceX moderated. As the industry's largest and most visible company, SpaceX will often influence sentiment and valuation across the sector, even where there's little direct read-through to individual companies.

As a result of our conviction, we added to our Telesat position in anticipation of a positive announcement related to an agreement in principle to provide Ka-band connectivity to the Canadian Armed Forces, which came to fruition early in the month. That view was validated in early August when Telesat announced a contract worth up to $2.7 billion, while MDA also secured an expanded role, reinforcing our confidence in the long-term opportunity despite the near-term share-price volatility.

In Materials, the Fund experienced broad underperformance across its critical-minerals exposure. **Blue Moon Metals Inc. (MOON), 5N Plus Inc. (VNP), Neo Performance Materials Inc. (NEO)**, and several of our copper holdings were among the largest detractors. Despite the near-term weakness, we continue to view the sector's fundamental backdrop as attractive. Demand is being supported by electrification, grid investment, data-centre growth and increased defense spending, while years of underinvestment, lengthy permitting timelines and a growing emphasis on secure domestic supply chains continue to constrain new supply. Although commodity prices and investor sentiment may remain volatile over shorter periods, we believe well-capitalized businesses with high-quality assets, strategic processing capabilities and exposure to supply-constrained minerals are positioned to benefit as these structural trends translate into tighter markets and improved pricing.

One notable area of strength in July was our equity position in **McDermott International Ltd. (MCDIF)**, which was a top contributor for the month. The company announced a rights offering

[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/*

expected to strengthen and recapitalize its balance sheet, improve financial flexibility and better position the business for a possible future liquidity event: potentially an IPO, direct listing or strategic sale. Reorganization equities can be particularly attractive because they're often inefficiently priced following a restructuring: ownership may be concentrated among former creditors, liquidity and research coverage are limited, and capital structure complexity can deter traditional investors. These factors can cause shares to trade at a meaningful discount to underlying business value. As the balance sheet is repaired, operating performance normalizes and a credible path to public-market liquidity or a sale emerges; that discount may narrow materially. We believe the rights offering is an important catalyst toward unlocking McDermott's currently depressed equity value.

Energy exposure was another area of strength. Our holdings positively contributed as crude prices firmed after the US-Iran ceasefire broke down and hostilities resumed. With a durable peace agreement still elusive and energy flows through the Strait of Hormuz yet to fully normalize, geopolitical risk continued to support commodity prices and reinforce the strategic value of North American energy production.

Portfolio Updates

July continued a summer of uncertainty, with global events shaping the macro backdrop and creating both new opportunities and new risks. As the month closed, investors remained cautious amid escalating US-Iran tensions, and shipping through the Strait of Hormuz once again ground to an effective standstill. Trade tensions also continued to rumble through markets, with one tariff regime replaced by another. As we make our way through the summer months, the layering of new US tariffs adds fresh uncertainty. In our view, if they persist, they could weigh on exports and economic growth in the months ahead, adding pressure to an already fragile outlook for Canada's economy.

Against this backdrop, we positioned the portfolio around three priorities:

- **Preserving optionality**: We adopted a more defensive posture and selectively raised cash. This wasn't a broad market call; the additional liquidity gives the Fund greater flexibility to capitalize on forced selling and company-specific dislocations without reducing core positions at an inopportune time.
- **Increasing exposure to hard catalysts**: We increased exposure to investments with identifiable, time-bound catalysts (contract awards, recapitalizations, strategic transactions) where returns depend more on company-specific developments than broad market direction or multiple expansion. We believe these opportunities offer a more differentiated source of return when market beta becomes less reliable.
- **Maintaining downside protection**: We maintained portfolio hedges to moderate downside participation while preserving exposure to our highest-conviction investments. With headline index stability masking meaningful dispersion and several macro and geopolitical risks still unresolved, we believe maintaining protection is prudent and should leave the Fund well positioned to deploy capital if volatility creates more attractive opportunities.

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