Manager's Commentary
Amar Pandya, CFA

Dear Unitholders,

The Pender Alternative Arbitrage Fund and the Pender Alternative Arbitrage Plus Fund were 0.0%[1] in July 2026 while the HFRI ED: Merger Arbitrage Index (USD) returned -0.4%[2].

M&A Market Update

Global M&A activity remained near record levels through July despite some moderation from the exceptional pace of May and June. Approximately $3.19 trillion of transactions were announced during the first seven months of 2026, up 36% from the same period last year and approaching the record pace set in 2021.[3] Activity remained concentrated in larger transactions, with 48 deals valued above $10 billion accounting for $1.29 trillion, or approximately 40% of total deal value, while the number of announced transactions declined 10%. Cross-border activity was also robust, reaching its highest level for the first seven months of a year since 2007.

July continued to demonstrate a broad appetite for strategic acquisitions, including Vertex Pharmaceuticals' approximately $10 billion acquisition of Crinetics Pharmaceuticals, and Uber's $14.8 billion offer for privately held Delivery Hero. The regulatory environment also evolved during the month, with the US Department of Justice introducing a more targeted Second Request process intended to reduce the time and burden associated with merger reviews. In our view, the DOJ's move to restore a more targeted Second Request process is another indication of the administration's more supportive stance toward M&A, emphasizing efficient review while reserving intensive scrutiny for transactions that raise clear competitive concerns. By narrowing investigative scope and reducing unnecessary burden and delay, we believe the policy should improve regulatory visibility for dealmakers and could encourage companies to pursue transactions that may have appeared too uncertain under the previous enforcement regime. Overall, financing availability, strategic demand and a more efficient review process remain supportive of a healthy M&A environment through the second half of the year.

SPAC Market Update

SPAC issuance remained elevated in July, with 18 SPAC IPOs completed during the month raising $3.9 billion of trust capital.[4] Six SPAC mergers closed and two SPACs liquidated. At month-end, there were 371 active SPACs, including 264 actively searching for targets. The continued expansion of the market is increasing competition for attractive private companies and placing greater importance on sponsor experience, sector expertise and transaction structure. More than half of recent SPAC issuance has come from repeat sponsors, while deal activity has increasingly focused on capital-intensive industries including AI infrastructure, power generation and quantum computing, where the ability to raise committed capital and provide a defined path to the public markets can make the SPAC structure particularly attractive.

At the end of July, SPACs searching for targets were trading at a discount to trust value providing a yield-to-maturity of 5.24%.[5] Despite continued robust issuance, discounts have widened as the growing supply

[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*

[5] *SPAC Insider*

of SPACs competes for investor capital, creating increasingly attractive opportunities among mature SPACs approaching extension votes or liquidation deadlines. We continue to favour these shorter-duration opportunities, where downside may be partially mitigated by cash held in trust and investors can potentially earn attractive low-volatility returns while retaining potential optionality from a merger announcement. With 264 SPACs now searching for targets, we expect competition between sponsors to intensify and believe the expanding pipeline of extensions, redemptions and liquidations should continue to provide an attractive source of arbitrage opportunities over the coming quarters.

Portfolio Update

July was a slower month for the Fund, with a mixed pace of progress across the merger arbitrage portfolio. Several transactions advanced through key milestones and moved closer to completion, while others experienced delays that extended expected closing timelines. We continue to focus on the underlying probability of completion and selectively add to high-conviction positions where, in our view, delays create attractive expected returns without materially changing the investment thesis.

Activity remained high across the portfolio, with 16 new merger positions added during July and 14 existing transactions reaching completion. We continued to concentrate exposure in small and mid-cap deals, where transaction structures are often simpler and regulatory and financing risks can be more manageable. At month-end, the Fund held 20 investments in transactions valued below $1 billion and 24 investments in deals valued below $2 billion. The steady pace of completions has provided ongoing capacity to redeploy capital, while the breadth of new deal activity continues to support a diversified portfolio of event-driven opportunities.

Outlook

July highlighted the growing tension between still-resilient markets and a less forgiving macro backdrop. Renewed hostilities with Iran and disruptions to shipping through the Strait of Hormuz drove oil prices sharply higher, reintroducing concerns around inflation and global growth. Long-term interest rates also moved higher, with the 10-year US Treasury yield rising to approximately 4.74% and the 30-year yield climbing above 5.27%, its highest level in 19 years. Equity performance became more uneven as investors reassessed crowded areas of the market, particularly AI and semiconductor-related stocks where elevated valuations and heavy capital spending remain under scrutiny. The Federal Reserve held rates unchanged in July, although three policymakers voted for an increase, reinforcing the uncertainty around the future path of monetary policy.

This combination of higher rates, geopolitical risk and greater dispersion across markets strengthens the case for strategies whose returns are driven by defined corporate events rather than broad market direction. Merger arbitrage benefits from a deep pipeline of announced transactions and the potential to realize returns as deals progress toward completion, while SPAC arbitrage offers a growing set of short-duration opportunities backed by cash held in trust. With SPAC yields reaching 5.24% at the end of July and M&A activity remaining robust, both strategies continue to offer attractive potential returns with comparatively low sensitivity to equity market beta and interest-rate duration. We remain constructive on the opportunity set and believe these characteristics should remain valuable if volatility continues to increase through the balance of the year.

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