

## Manager's Commentary

### Amar Pandya, CFA

---

Dear Unitholders,

The Pender Alternative Arbitrage Fund and the Pender Alternative Arbitrage Plus Fund were both down -0.2%<sup>1</sup> in August 2025 while the HFRI ED: Merger Arbitrage Index (USD) returned 1.84%<sup>2</sup>.

#### Portfolio Update

August was a very active month for the Fund, marked by a burst of new deal activity as well as increased attractiveness in several existing deals that progressed into the final stages of closing. During the month, the Fund initiated positions in 30 new or existing deals while nine deals held within the Fund closed. At the end of August 2025, the Fund held 49 active investments in small cap deals under \$2 billion, 36 of which were valued at under \$1 billion. Smaller cap transactions remain a key focus of the strategy given their shorter deal durations, lower regulatory hurdles, and the potential for higher annualized returns. The Fund's SPAC exposure increased further during the month and now represents over 30% of the portfolio. We have been selectively participating in new SPAC IPOs, many of which are oversubscribed and trading strongly in the aftermarket, while also adding secondary positions at attractive yields. The favorable combination of downside protection through trust value and upside potential via warrants and rights continues to make SPAC arbitrage a compelling opportunity in our view. With robust activity across both mergers and SPACs, the Fund is now fully invested across a diversified portfolio of active deals. This positioning reflects our constructive outlook on the current arbitrage environment, supported by a strong deal pipeline, attractive yields, and continued confidence from strategic and financial acquirers.

#### M&A Market Update

Global M&A accelerated through August, with year-to-date announced deal value reaching \$2.8 trillion, up 35% versus the same period last year, reflecting a decisive rebound in boardroom risk appetite and greater confidence in regulatory outcomes<sup>3</sup>. Dealmaking through the summer, which is typically a slower period of the year, topped \$1 trillion making it the busiest summer for M&A since 2021. A key catalyst for the rebound in activity has been President Trump's revocation of the Biden-era Executive Order on Competition. The rescission of this directive has been widely interpreted as a reset in US merger policy, shifting away from the aggressive enforcement stance that had blocked or discouraged

---

<sup>1</sup> 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://www.penderfund.com/liquid-alternative-funds/>

<sup>2</sup> The benchmark for both funds is the HFRI ED: Merger Arbitrage Index (Hedged to CAD).

<sup>3</sup> LSEG – Investment Banking Scorecard - Deal Intelligence as of September 11, 2025

numerous deals over the last four years. With a more constructive and predictable regulatory approach, dealmakers are showing renewed confidence to pursue transactions that would have been challenged or abandoned under the prior environment.

This shift in regulatory policy has already begun to alter the complexion of announced deals. Mergers that failed under the previous administration, such as the acquisition of Tegna Inc. (NYSE: TGNA) by Standard General which was terminated in May 2023 after facing significant regulatory pushback have re-emerged with the company agreeing to be acquired by Nexstar Media Group Inc. (NASDAQ: NXST). The recently successfully completed acquisition of pharmacy and retail company Walgreens Boots Alliance and retailer Foot Locker are other example of the types of deals that would have faced considerable regulatory scrutiny under the former administration. Advisors and corporate boards that had been sitting on the sidelines through the regulatory uncertainty of the prior administration are returning to the market with conviction, contributing to a steady pipeline of new transactions.

### **SPAC Market Update**

In August, SPAC activity continued to gain traction, reflecting both renewed sponsor confidence and heightened investor interest amid broader market dynamics. Among the more notable developments, Chamath Palihapitiya, the formerly self-titled “SPAC King” announced his reentry into the blank-check company arena filing to raise up to \$250 million for American Exceptionalism Acquisition Corp., a SPAC targeting sectors like AI, energy, crypto, and defense. His return to the SPAC sector highlights the favorable tailwinds and opportunity that experienced sponsors expect from regulatory shifts and IPO market constraints. While Palihapitiya’s prior SPAC ventures, including Virgin Galactic Holdings Inc. and Clover Health Investments Corp., have lost the majority of their value, his return to the market highlights both the durability of the SPAC structure and investors’ willingness to back high-profile sponsors despite mixed historical outcomes.

There were eight SPAC IPOs in August raising over \$1.8 billion of capital with four deals closed and no SPACs liquidated during the month<sup>4</sup>. At the end of August there were 244 active SPACs in the market with a total value of \$29.2 billion, with 149 SPACs actively searching for deals. At the end of the month, SPACs searching for targets were trading at a discount-to-trust value, which provided a yield-to-maturity of 4.01%<sup>5</sup>. The recent surge in SPAC IPOs, combined with the remaining liquidation of mature SPACs, has shifted the market composition toward newer issues. As a result, yield-to-maturity has become a less useful indicator of expected performance. Instead, the real opportunity in today’s SPACs lies in the embedded optionality of their structure, through common shares as well as the warrants and rights that typically accompany a unit. With downside risk anchored by the

---

<sup>4</sup> SPAC Research

<sup>5</sup> <https://www.spacinsider.com/>



cash held in trust, SPACs continue to offer an appealing balance of protection and upside optionality, making them a compelling structural investment in the current environment.

### Outlook

The merger arbitrage environment remains constructive heading into the final quarters of 2025. The recent pickup in mega-merger announcements, alongside robust small and mid-cap activity, signals that confidence among corporate acquirers and financial sponsors is returning in force. The shift in the regulatory environment under the Trump administration has been a defining catalyst, as evidenced by several large transactions clearing approval and new complex deals being announced. While macro headwinds from tariffs and trade negotiations persist, dealmakers appear increasingly willing to navigate these uncertainties to secure scale, synergies, and strategic positioning. We believe this backdrop will continue to generate a wide opportunity set for arbitrage investors. We remain constructive on the opportunity set for merger arbitrage and SPAC arbitrage in the months ahead, with a high conviction portfolio positioned to benefit from supportive deal activity, favorable structural tailwinds, and the ongoing appeal of non-correlated alternative return streams.

**Amar Pandya, CFA**

*September 25, 2025*