



AMAR PANDYA, CFA
PORTFOLIO MANAGER

Why Invest in the Pender Alternative Arbitrage Fund

What is the Pender Alternative Arbitrage Fund?

The Pender Alternative Arbitrage Fund aims to produce consistent and low volatility absolute returns by investing primarily in merger arbitrage opportunities. This low-risk strategy can be used to provide diversification benefits to clients with low correlation to traditional equity and fixed income investments.

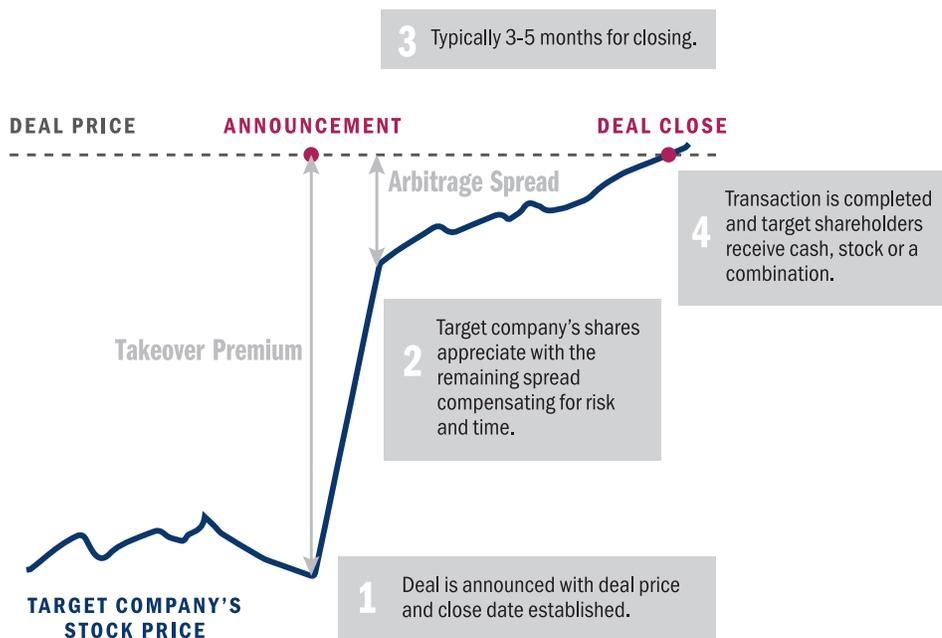
What is Merger Arbitrage?

Pender has a long history and track record of successfully identifying and investing in companies that are targets for mergers or acquisition. This investment research is the foundation on which we are launching the Pender Alternative Arbitrage Fund.

The goal of the Fund is to profit from successfully completed mergers and acquisitions. We are not speculating on an acquisition that may or may not materialise but analyzing deals with definitive agreements in place.

We are seeking to buy shares in the target company at a discount to the announced deal price and therefore capture the spread between a deal being announced and the deal closing.

Example of a Merger Deal



PENDER ALTERNATIVE ARBITRAGE FUND

Key Benefits of an Arbitrage Strategy

A solution for investors concerned with inflation, widening spreads or rising interest rates:

- A market-neutral strategy aiming for consistent and steady absolute returns
- Designed to be a low-risk strategy maintaining low volatility and low drawdowns
- Positioned to provide low correlation to traditional asset classes such as stocks and bonds
- Aims to protect the portfolio with a return potential that increases with rising interest rates
- Returns are tax efficient, primarily in the form of capital gains as opposed to interest income



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Merger Arbitrage vs. Fixed Income

| | Merger Arbitrage | Investment Grade Bonds |
|--------------------------------------|--------------------------------|--|
| Agreement Structure | Definitive merger agreement | Indenture/credit agreement |
| Key Risk | Deal failure | Credit default |
| Risk Premium | Merger arbitrage spread | Credit spread |
| Targeted Returns | +350 bps over risk-free rate | ~200bps over risk-free rate ¹ |
| Annualized Standard Deviation | 4.1% historically ² | 4.7% historically ³ |
| Taxation | Capital gains | Interest income |
| Rising Rates Impact | Positive / uncorrelated | Negative |
| Typical Duration | 3-5 months | 3-5 years |

¹ ICE BofA ML BBB US Corporate Bond Index OAS (10 Year Average - August 26, 2011- August 26, 2021)

² HFRI Merger Arbitrage Index (Since Index Inception January 1, 1990 - July 31, 2021)

³ S&P 500 Investment Grade Corporate Bond Index (Trailing 10 years as of July 2021)

The Pender Advantage

- Expertise in M&A with a unique track record of nearly 70 portfolio holdings targeted for take-out over 11 years across equity funds.
- Value-based, private equity approach to public markets:
 - We undertake the “scuttlebutt” research and due diligence to estimate private market value.
 - We understand the risks and challenges involved in closing a merger from working with companies as an investor.
 - We focus on knowing the owners of a business and their expectations.
 - We also review potential acquirers, their track record, ability to finance and motivation.
- Proprietary M&A analysis tool, based on our history of take-outs within our portfolios, which pinpoints aspects from past, successful transactions that can apply to current situations.

Portfolio Attributes

- Targeting 25-35 M&A holdings as well as SPAC arbitrage holdings
- Aiming to invest in 100-140 M&A deals per year with an average duration of between 3-5 months
- Portfolio turnover expected to be >300%
- Risk is specific to the deal and the regulatory environment in which the transaction is taking place
- Incorporating a maximum drawdown per position, with the aim of limiting downside potential
- Intending to hedge all currencies to the Canadian dollar with the majority of expected investments in US dollars
- Long exposure could be up to 130% of Fund NAV, meaning there is the potential for up to 30% leverage within the Fund