

Forward thinking. Finding value.

Discover the Powerful Tax Benefits of Pender Alternative Arbitrage Funds



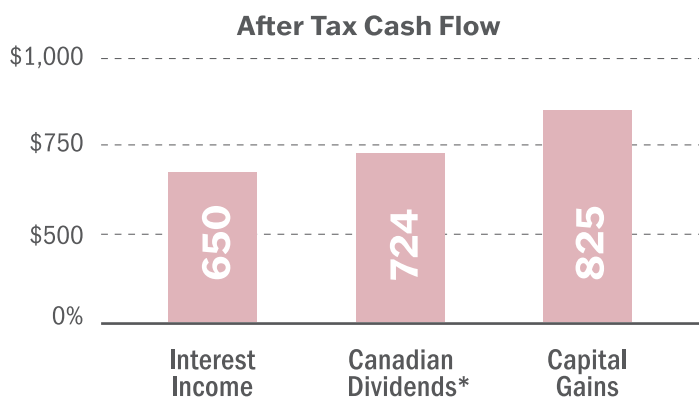
Amar Pandya, CFA, Portfolio Manager

High-net-worth investors seek strategies to protect and grow wealth in a tax-efficient manner. Pender Alternative Arbitrage Fund aims to generate positive and sustainable returns with low volatility. The Fund offers superior tax efficiency because most of the returns are taxed more favourably as capital gains, not interest income or dividends.

What is a merger arbitrage strategy?

This is an investment strategy designed to benefit from the successful completion of an announced merger and acquisition (M&A) deal. The goal is to benefit from pricing inefficiencies caused by an event, such as the acquisition of one company by another, and to harvest the profit from the difference (spread) between the company's current trading price and its target price when the deal closes.

For every \$1,000 in annual pre-tax cash flow, how much do you keep after tax?



For the purposes of this example, a marginal federal tax rate of 35% is used. Please note that tax rates are unique to the circumstances of each individual and this simplified view is for illustrative purposes only. In addition to the federal taxes noted in the example, provincial taxes are required to be paid. The amount of provincial taxes will vary according to the province (provincial dividend tax credits also apply). When combined, the total of the federal and provincial taxes equals the taxes owing on taxable income. All figures are rounded to the nearest whole number. Tax rates are subject to change.

* Represents eligible Canadian dividends with a federal tax credit of 15.02%. Additional provincial dividend tax credits may be available.

What are the tax benefits of this strategy?

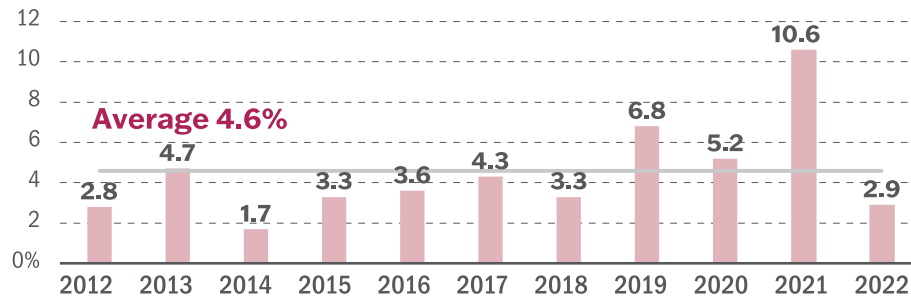
This strategy offers better tax efficiency because the majority of returns are in the form of capital gains, not interest income. Capital gains are taxed at a more favourable rate than interest income and dividends.

How tax efficient is your portfolio?

Investment income typically comes in three forms: interest income, dividends, and capital gains, in declining order of taxation. Only half of capital gains are subject to taxation compared to interest income which is fully taxed. Tax efficiency is an important strategy in maximizing after-tax investment returns.

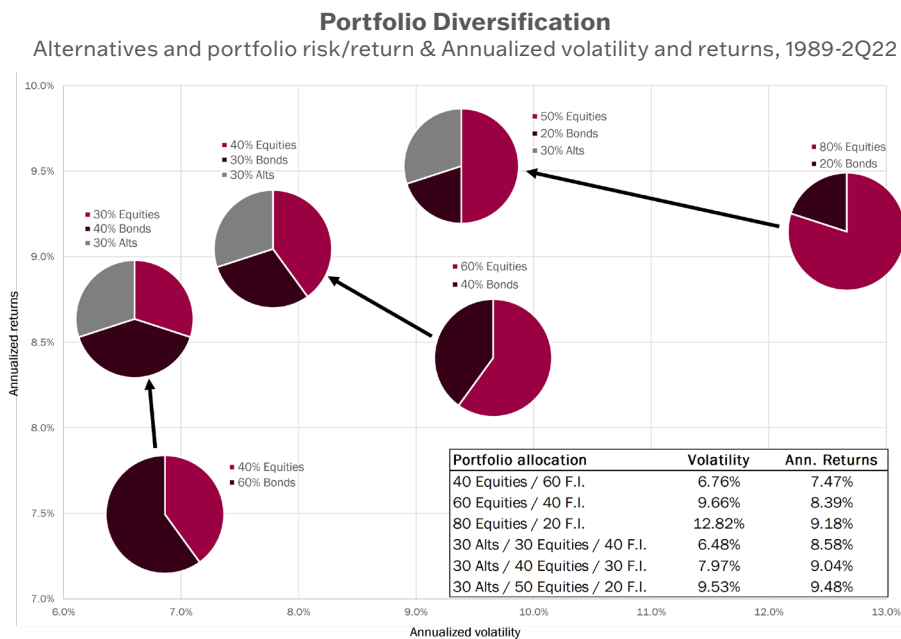
What are additional benefits of this strategy?

1. Consistent Returns with Merger Arbitrage



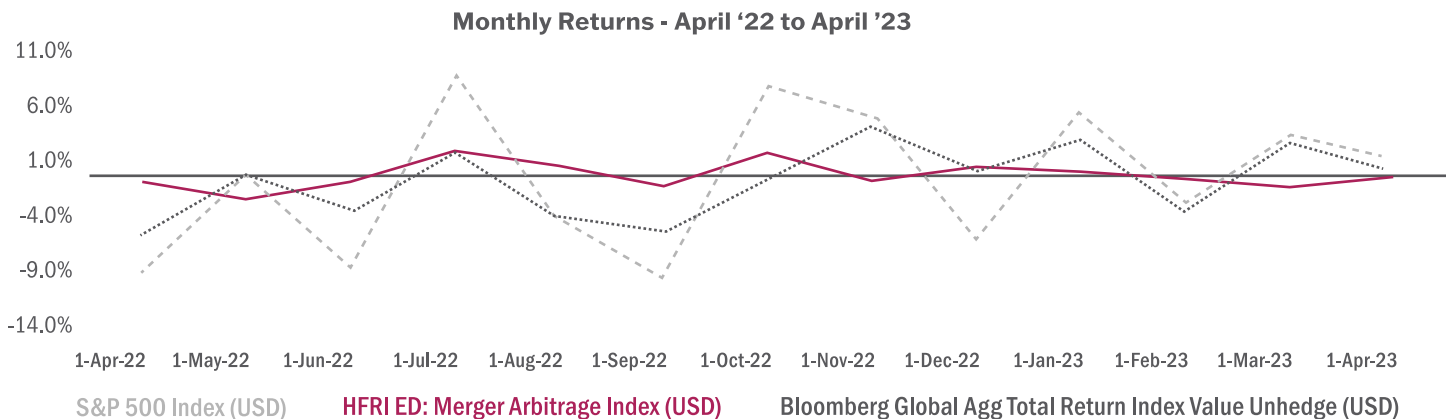
Source: HRFI

2. Optimized Portfolios with Lower Volatility and Greater Diversification



Source: Bloomberg, Burgiss, HRFI, NCREIF, Standard & Poor's, FactSet, J.P. Morgan Asset Management. Alts include hedge funds, real estate, and private equity, with each receiving an equal weight. Portfolios are rebalanced at the start of the year. Data is based on availability as of November 30, 2022.

3. Market Neutral Returns



Source: Pender as of April 30, 2023.

4. Structured to Protect Portfolios from Excess Volatility and Drawdowns

HFRI Merger Arbitrage Index (USD) Downside Capture Ratio			
	5-YEAR	10-YEAR	15-YEAR
S&P 500 (USD)	0.14	0.15	0.22
ICE BofA HY Index (USD)	0.24	0.22	0.28

Source: Bloomberg as of April 30, 2023. The downside ratio calculations compares the return of HFRI as a ratio of the reference indices (S&P 500 Index and ICE BofA HY Index) during the comprised period when the index had negative return month. Past performance is no guarantee of future results. An investment cannot be made directly into this index. This example is for illustrative purposes only and does not represent an actual investment.

Learn how you can build a more tax efficient portfolio with Pender Alternative Arbitrage Funds, [click here](#).



[penderfund.com](https://www.penderfund.com)



This communication is subject to the Disclaimer found here: www.penderfund.com/disclaimer
Standard Performance Data for Pender's Liquid Alternative Funds may be found here: www.penderfund.com/liquid-alternative-funds

© Copyright PenderFund Capital Management Ltd. All rights reserved. June 2023