

# **Pender Alternative Arbitrage Fund**

For the year ended December 31, 2023

Annual Management Report of Fund Performance

This annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the annual financial statements at your request, at no cost, by calling toll-free 1-866-377-4743, by writing to us at 1830 - 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by visiting our website at [www.penderfund.com](http://www.penderfund.com) or the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca).

You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

# Pender Alternative Arbitrage Fund

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## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The objective of the Pender Alternative Arbitrage Fund (the “Fund”) is to generate consistent, positive returns, with low volatility and low correlation to equity markets by investing primarily in North American securities. The Fund may also invest in foreign and other securities.

PenderFund Capital Management Ltd. (“Pender”) is the Manager and Portfolio Advisor of the Fund.

### Risks

The risks of investing in the Fund are outlined in the Simplified Prospectus dated June 27, 2023. There were no significant changes to the Fund’s objectives and strategies that affected its overall level of risk during the year.

The nature of the Fund’s investing activities exposes it to various risks, including but not limited to inflation and the impact of central bank measures on the economy, the state of M&A markets, geopolitical and other global events, factors that are beyond the Fund’s control.

Future developments in these challenging areas could impact the Fund’s results and financial condition and the full extent of that impact remains unknown. Developing reliable estimates and applying judgment continue to be substantially complex. Actual results may differ from those estimates and assumptions.

### Results of Operations

The net assets of the Fund were \$22,046,529 as at December 31, 2023 versus \$26,851,852 as at December 31, 2022. Of this \$4,805,323 decrease, \$348,388 is attributable to positive investment performance and \$5,153,711 is attributable to net unitholder redemptions of Fund units.

For the year ended December 31, 2023, Class A units of the Fund generated a total return of 0.5%. Returns for all other classes of the Fund will be similar to Class A with any difference in performance being primarily due to the different management fees that are applicable to different classes. Returns for Class F (USD) and Class I (USD) will differ from Class A primarily due to foreign currency as these classes are denominated in U.S. dollars whereas all remaining classes of the Fund are denominated in Canadian dollars. Please see the “Past Performance” section for the performance of the Fund’s other classes.

The Fund’s benchmark, HFRI ED: Merger Arbitrage Index (USD), returned 6.2% during the year. In accordance with National Instrument 81-106, we have included a comparison to this benchmark to help you understand the Fund’s performance relative to the general performance of the market, but we caution that the Fund’s mandate may be significantly different from the index. Further, the Fund’s returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund’s benchmark, which are based on the performance of an index that does not pay fees or incur expenses.

The following comments and the comments under “Recent Developments” reflect the views of the portfolio management team and are based on information as at the end of the year. Please read the caution regarding forward-looking statements located on the last page of this document.

The Fund’s underperformance as compared to its benchmark was mainly due to underweight allocations to both the Financials, and Materials Sectors. We do not actively manager sector weightings in the Fund, rather, our sector weightings are determined by individual stock selection through a bottom-up fundamental investment process.

Key positive contributors to the portfolio’s performance this year were positions in Cincor Pharma, Inc., Orthofix Medical Inc., and Noranda Income Fund. Conversely positions in Maxar Technologies Inc., Velan Inc., and First Horizon Corporation were key detractors.

To achieve the Fund’s objective of generating consistent, positive returns with low volatility and low correlation to equity markets, the Fund employs arbitrage strategies, which are specialized investment techniques designed with the goal of profiting from the successful completion of mergers, take-overs, tender offers, leveraged buyouts, spin-offs, liquidations and other corporate reorganizations. We may also use a variety of additional investment strategies permitted within an alternative mutual fund, including but not limited to investing in special purpose acquisition companies (“SPACs”), convertible securities, and preferred shares.

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Portfolio transactions during the year were made based on our investment process that aims to identify attractive arbitrage opportunities, particularly in merger deals. In general, we added positions to the portfolio that we felt offered an attractive spread relative to the probability that a merger deal will close. The strategy seeks to exploit this return opportunity and deliver a relatively low volatility return to unitholders. We are constantly looking for new investment ideas and we may liquidate our positions for various reasons, such as when share prices have reached our assessment of fair value, when an acquisition has occurred, or where we have changed our investment thesis.

As at the end of the year, the Fund was 53.8% invested in long positions, -6.8% invested in short positions. The geographic positioning of the Fund remains predominantly tilted towards the US with 36.3% of net exposure in this jurisdiction. The Fund remains broadly diversified across various industries and skewed to smaller companies. As at December 31, 2023, the Fund had a net exposure of 42.0% invested primarily in small, mid and micro-cap businesses. We feel this smaller market cap size is less exposed to the regulatory risk faced by larger merger deals and leverages the broader equity investment process at the Manager with its extensive research relating to smaller companies.

The overall sector exposure of the Fund is determined by stock selection decisions and may shift from time to time. As at December 31, 2023, we were weighted toward long position holdings in Health Care, Consumer Discretionary and Insurance sectors, because those are the sectors where we believe we are finding the best investment opportunities currently. These top three sectors accounted for 25.6% (long positions) of the Fund at the end of the year.

## Recent Developments

Global M&A plunged to decade low in 2023 with \$2.9 trillion in deal value announced, a 17% decline from last year. Activity was subdued through most of the year as dealmakers grappled with higher inflation, rising interest rates, increased regulatory scrutiny and market uncertainty. Private equity buyers saw a notable decline in activity this year after accounting for nearly a quarter of all buyouts in the previous two years as tighter financing conditions and higher interest rates weighed on the ability to complete leverage buyouts.

Commodity and industrial sector companies saw a big pickup in activity as inflation benefited many of these businesses and companies looked to scale their operations to drive improved efficiencies. The energy sector led M&A activity with several mega merger deals announced in the back half of the year with deal activity in the US Permian shale region surpassing \$100 billion. While technology sector M&A declined in 2023 by both deal volume and deal value, two of the largest merger deals of the year, Activision Blizzard, Inc.'s \$69 billion acquisition by Microsoft Corporation (NASDAQ: MSFT) and VMware, Inc.'s \$61 billion acquisition by Broadcom Inc. (NASDAQ: AVGO) closed successfully and the sector continues to see strategic and financial deals being struck. The healthcare sector also saw a significant pickup in activity with dozens of biotech and pharmaceutical merger deals announced as the industry's largest drugmakers face a steep patent cliff over the next decade and are actively seeking to refresh and extend their patent drug portfolios.

Overall, 2023 was a challenging year for M&A and merger arbitrage with various headwinds impacting deal activity and deal closings, but with a notable pickup in activity in the fourth quarter there are many reasons to be optimistic on the M&A outlook for 2024.

## Independent Review Committee ("IRC") Appointments & Resignations

Effective March 31, 2023, Kerry Ho ceased to be the Chair of the IRC and Leslie Wood became Chair of the IRC.

## Related Party Transactions

The Fund pays management and administration fees to the Manager for management and portfolio advisory services (see "Management Fees"). The Fund also pays the Manager performance fees (see "Performance Fees").

As at the end of the year, parties related to the Manager collectively held 2% of the Fund's units. In addition, the Pender Alternative Multi-Strategy Income Fund and Pender Income Advantage Fund, funds also managed by the Manager, collectively held 17% of the Fund's outstanding units.

## Management Fees

The Fund pays management and administration fees calculated as a percentage of the net asset value of each respective class. The Management Expense Ratio ("MER") before applicable taxes such as GST or HST for each class does not exceed certain levels as set out in the Fund's offering documents. The fees are calculated at the close of business on each valuation day and are paid monthly. In exchange for the administration fee, the Manager pays the operating costs of the Fund.

Management fees are used by the Manager, in part, to pay sales commissions, trailer fees, marketing costs and other associated distribution costs relating to the sale of units of the Fund.

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Such expenses represented approximately 21% of the management fees paid by the Fund to the Manager for the year.

## Performance Fees

The Manager is also entitled to a performance fee plus applicable taxes such as GST or HST on all classes of units of the Fund. For Class O units, this fee is or will be charged directly to Unitholders, as applicable. The performance fee is equal to 15% of the amount by which the total return of the class of units exceeds the previous high-water mark for each applicable class of units for the year since the performance fee was last paid. The high-water mark is the net asset value of the applicable class of units to which it applies as at the most recent determination date on which a performance fee was payable. Performance fees will be calculated and accrued daily, and such accrued fees will be payable by the Fund at the end of each year. The Manager has reserved the right to change the year for which any performance fee may be paid by a Fund. The Manager, at its discretion, may reduce or waive performance fees.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the calendar years indicated.

### Fund's Net Assets Per Unit (a)

	2023 (\$)	2022 (\$)	2021 (\$)
<b>Class A</b>			
Net Assets, beginning of year	10.14	10.19	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.16	(0.15)	-
Total expenses	(0.33)	(0.34)	(0.01)
Realized gains (losses)	0.38	1.69	(0.03)
Unrealized gains (losses)	(0.20)	(0.71)	0.25
<b>Total increase (decrease) from operations (b)</b>	<b>0.01</b>	<b>0.49</b>	<b>0.21</b>
<b>Distributions:</b>			
From income (excluding dividends)	-	-	(0.01)
From dividends	-	-	(0.01)
From capital gains	(0.59)	(0.33)	-
Return of capital	-	-	-
<b>Total distributions (b), (c)</b>	<b>(0.59)</b>	<b>(0.33)</b>	<b>(0.02)</b>
<b>Net Assets, end of year</b>	<b>9.58</b>	<b>10.14</b>	<b>10.19</b>
<b>Class AF</b>			
Net Assets, beginning of year	10.48	10.19	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.16	0.15	-
Total expenses	(0.28)	(0.27)	(0.02)
Realized gains (losses)	0.27	0.33	(0.06)
Unrealized gains (losses)	(0.10)	0.15	0.29
<b>Total increase (decrease) from operations (b)</b>	<b>0.05</b>	<b>0.36</b>	<b>0.21</b>
<b>Distributions:</b>			
From income (excluding dividends)	-	-	(0.01)
From dividends	-	-	(0.01)
From capital gains	(0.49)	(0.05)	-
Return of capital	-	-	-
<b>Total distributions (b), (c)</b>	<b>(0.49)</b>	<b>(0.05)</b>	<b>(0.02)</b>
<b>Net Assets, end of year</b>	<b>10.06</b>	<b>10.48</b>	<b>10.19</b>

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## Fund's Net Assets Per Unit (a) (cont'd)

	2023 (\$)	2022 (\$)	2021 (\$)
<b>Class E</b>			
Net Assets, beginning of year (a)	9.72	10.00	
<b>Increase (decrease) from operations:</b>			
Total revenue	0.15	(0.09)	
Total expenses	(0.16)	(0.04)	
Realized gains (losses)	0.31	0.77	
Unrealized gains (losses)	(0.15)	(0.37)	
<b>Total increase (decrease) from operations (b)</b>	<b>0.15</b>	<b>0.27</b>	
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.13)	
From dividends	(0.05)	(0.02)	
From capital gains	(0.54)	(0.28)	
Return of capital	-	-	
<b>Total distributions (b), (c)</b>	<b>(0.59)</b>	<b>(0.43)</b>	
<b>Net Assets, end of year</b>	<b>9.31</b>	<b>9.72</b>	
<b>Class F</b>			
Net Assets, beginning of year	10.35	10.19	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.15	0.34	0.01
Total expenses	(0.25)	(0.41)	(0.04)
Realized gains (losses)	0.41	0.22	(0.04)
Unrealized gains (losses)	(0.24)	0.23	0.21
<b>Total increase (decrease) from operations (b)</b>	<b>0.07</b>	<b>0.38</b>	<b>0.14</b>
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.08)	(0.01)
From dividends	-	(0.01)	(0.01)
From capital gains	(0.63)	(0.07)	-
Return of capital	-	-	-
<b>Total distributions (b), (c)</b>	<b>(0.63)</b>	<b>(0.16)</b>	<b>(0.02)</b>
<b>Net Assets, end of year</b>	<b>9.82</b>	<b>10.35</b>	<b>10.19</b>
<b>Class FF</b>			
Net Assets, beginning of year	10.56	10.19	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.16	0.17	0.01
Total expenses	(0.19)	(0.20)	(0.02)
Realized gains (losses)	0.42	0.28	(0.07)
Unrealized gains (losses)	(0.25)	0.19	0.30
<b>Total increase (decrease) from operations (b)</b>	<b>0.14</b>	<b>0.44</b>	<b>0.22</b>
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.03)	(0.01)
From dividends	(0.02)	(0.01)	(0.01)
From capital gains	(0.67)	-	-
Return of capital	-	-	-
<b>Total distributions (b), (c)</b>	<b>(0.69)</b>	<b>(0.04)</b>	<b>(0.02)</b>
<b>Net Assets, end of year</b>	<b>10.06</b>	<b>10.56</b>	<b>10.19</b>

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## Fund's Net Assets Per Unit (a) (cont'd)

	2023 (\$)	2022 (\$)	2021 (\$)
<b>Class H</b>			
Net Assets, beginning of year	10.33	10.19	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.15	0.38	-
Total expenses	(0.30)	(0.50)	(0.01)
Realized gains (losses)	0.34	-	(0.03)
Unrealized gains (losses)	(0.16)	0.55	0.25
<b>Total increase (decrease) from operations (b)</b>	<b>0.03</b>	<b>0.43</b>	<b>0.21</b>
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.07)	(0.01)
From dividends	-	(0.01)	(0.01)
From capital gains	(0.57)	(0.10)	-
Return of capital	-	-	-
<b>Total distributions (b), (c)</b>	<b>(0.57)</b>	<b>(0.18)</b>	<b>(0.02)</b>
<b>Net Assets, end of year</b>	<b>9.80</b>	<b>10.33</b>	<b>10.19</b>
<b>Class I</b>			
Net Assets, beginning of year	10.32	10.19	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.16	0.21	-
Total expenses	(0.24)	(0.34)	(0.01)
Realized gains (losses)	0.26	0.50	(0.03)
Unrealized gains (losses)	(0.03)	0.15	0.25
<b>Total increase (decrease) from operations (b)</b>	<b>0.15</b>	<b>0.52</b>	<b>0.21</b>
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.07)	(0.01)
From dividends	(0.03)	(0.01)	(0.01)
From capital gains	(0.54)	(0.15)	-
Return of capital	-	-	-
<b>Total distributions (b), (c)</b>	<b>(0.57)</b>	<b>(0.23)</b>	<b>(0.02)</b>
<b>Net Assets, end of year</b>	<b>9.88</b>	<b>10.32</b>	<b>10.19</b>
<b>Class N</b>			
Net Assets, beginning of year	10.49	10.19	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.05	0.14	-
Total expenses	(0.07)	(0.19)	(0.01)
Realized gains (losses)	(13.90)	0.34	(0.03)
Unrealized gains (losses)	13.84	0.13	0.25
<b>Total increase (decrease) from operations (b)</b>	<b>(0.08)</b>	<b>0.42</b>	<b>0.21</b>
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.05)	(0.01)
From dividends	-	(0.01)	(0.01)
From capital gains	-	(0.05)	-
Return of capital	-	-	-
<b>Total distributions (b), (c)</b>	<b>-</b>	<b>(0.11)</b>	<b>(0.02)</b>
<b>Net Assets, end of year</b>	<b>-</b>	<b>10.49</b>	<b>10.19</b>

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## Fund's Net Assets Per Unit (a) (cont'd)

	2023 (\$)	2022 (\$)	2021 (\$)
<b>Class O</b>			
Net Assets, beginning of year	10.56	10.19	10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.16	0.31	-
Total expenses	(0.07)	(0.11)	(0.01)
Realized gains (losses)	0.38	0.14	(0.03)
Unrealized gains (losses)	(0.21)	0.42	0.25
<b>Total increase (decrease) from operations (b)</b>	<b>0.26</b>	<b>0.76</b>	<b>0.21</b>
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.15)	(0.01)
From dividends	(0.13)	(0.02)	(0.01)
From capital gains	(0.61)	-	-
Return of capital	-	-	-
<b>Total distributions (b), (c)</b>	<b>(0.74)</b>	<b>(0.17)</b>	<b>(0.02)</b>
<b>Net Assets, end of year</b>	<b>10.11</b>	<b>10.56</b>	<b>10.19</b>
<b>Class A (USD)</b>			
Net Assets, beginning of year (a)	13.19	13.00	
<b>Increase (decrease) from operations:</b>			
Total revenue	0.07	0.06	
Total expenses	(0.17)	(0.16)	
Realized gains (losses)	0.33	0.38	
Unrealized gains (losses)	(0.33)	0.25	
<b>Total increase (decrease) from operations (b)</b>	<b>(0.10)</b>	<b>0.53</b>	
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.12)	
From dividends	-	(0.02)	
From capital gains	-	(0.36)	
Return of capital	-	-	
<b>Total distributions (b), (c)</b>	<b>-</b>	<b>(0.50)</b>	
<b>Net Assets, end of year</b>	<b>-</b>	<b>13.19</b>	
<b>Class F (USD)</b>			
Net Assets, beginning of year (a)	13.49	13.00	
<b>Increase (decrease) from operations:</b>			
Total revenue	0.21	(0.04)	
Total expenses	(0.34)	(0.10)	
Realized gains (losses)	0.56	0.64	
Unrealized gains (losses)	(0.46)	0.02	
<b>Total increase (decrease) from operations (b)</b>	<b>(0.03)</b>	<b>0.52</b>	
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.10)	
From dividends	-	(0.01)	
From capital gains	(0.82)	-	
Return of capital	-	-	
<b>Total distributions (b), (c)</b>	<b>(0.82)</b>	<b>(0.11)</b>	
<b>Net Assets, end of year</b>	<b>12.57</b>	<b>13.49</b>	

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## Fund's Net Assets Per Unit (a) (cont'd)

	2023 (\$)	2022 (\$)	2021 (\$)
<b>Class H (USD)</b>			
Net Assets, beginning of year (a)	13.19	13.00	
<b>Increase (decrease) from operations:</b>			
Total revenue	0.07	0.06	
Total expenses	(0.15)	(0.15)	
Realized gains (losses)	0.33	0.38	
Unrealized gains (losses)	(0.33)	0.25	
<b>Total increase (decrease) from operations (b)</b>	<b>(0.08)</b>	<b>0.54</b>	
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.13)	
From dividends	-	(0.02)	
From capital gains	-	(0.36)	
Return of capital	-	-	
<b>Total distributions (b), (c)</b>	<b>-</b>	<b>(0.51)</b>	
<b>Net Assets, end of year</b>	<b>-</b>	<b>13.19</b>	
<b>Class I (USD)</b>			
Net Assets, beginning of year (a)	13.19	13.00	
<b>Increase (decrease) from operations:</b>			
Total revenue	0.22	0.06	
Total expenses	(0.33)	(0.12)	
Realized gains (losses)	0.20	0.38	
Unrealized gains (losses)	(0.20)	0.25	
<b>Total increase (decrease) from operations (b)</b>	<b>(0.11)</b>	<b>0.57</b>	
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.16)	
From dividends	(0.06)	(0.02)	
From capital gains	(0.79)	(0.36)	
Return of capital	-	-	
<b>Total distributions (b), (c)</b>	<b>(0.85)</b>	<b>(0.54)</b>	
<b>Net Assets, end of year</b>	<b>12.26</b>	<b>13.19</b>	

(a) This information is derived from the Fund's audited annual financial statements as at December 31 for the year stated, prepared under IFRS Accounting Standards. Class A (USD), Class H (USD) and Class N were closed on May 26, 2023.

(b) Net assets per unit and distributions per unit are based on the actual number of units for the relevant Fund class outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding during the year.

(c) Distributions were paid in cash and/or reinvested in additional units of the Fund.



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## Ratios and Supplemental Data

	2023	2022	2021
<b>Class A</b>			
Total net asset value (\$000s) (a)	132	91	5
Number of units outstanding (a)	13,735	8,983	501
Management expense ratio before performance fee (b)	2.46%	2.58%	0.00%
Management expense ratio (b)	2.55%	3.32%	0.00%
Management expense ratio before absorptions (c)	2.55%	3.54%	2.47%
Trading expense ratio (d)	0.33%	0.51%	0.69%
Portfolio turnover rate (e)	435.59%	242.20%	43.18%
Net asset value per unit (\$) (a)	9.58	10.14	10.19
<b>Class AF</b>			
Total net asset value (\$000s) (a)	2,466	2,551	1,782
Number of units outstanding (a)	245,161	243,197	174,924
Management expense ratio before performance fee (b)	1.80%	1.77%	0.00%
Management expense ratio (b)	1.97%	1.93%	0.00%
Management expense ratio before absorptions (c)	1.97%	2.55%	1.74%
Trading expense ratio (d)	0.33%	0.51%	0.69%
Portfolio turnover rate (e)	435.59%	242.20%	43.18%
Net asset value per unit (\$) (a)	10.06	10.48	10.19
<b>Class E</b>			
Total net asset value (\$000s) (a)	170	84	
Number of units outstanding (a)	18,227	8,589	
Management expense ratio before performance fee (b)	0.53%	1.02%	
Management expense ratio (b)	0.93%	1.90%	
Management expense ratio before absorptions (c)	0.93%	2.39%	
Trading expense ratio (d)	0.33%	0.51%	
Portfolio turnover rate (e)	435.59%	242.20%	
Net asset value per unit (\$) (a)	9.31	9.72	
<b>Class F</b>			
Total net asset value (\$000s) (a)	1,679	2,579	5
Number of units outstanding (a)	170,895	249,224	501
Management expense ratio before performance fee (b)	1.41%	1.53%	0.00%
Management expense ratio (b)	1.64%	2.92%	0.00%
Management expense ratio before absorptions (c)	1.64%	3.09%	1.38%
Trading expense ratio (d)	0.33%	0.51%	0.69%
Portfolio turnover rate (e)	435.59%	242.20%	43.18%
Net asset value per unit (\$) (a)	9.82	10.35	10.19
<b>Class FF</b>			
Total net asset value (\$000s) (a)	10,265	15,012	9,910
Number of units outstanding (a)	1,020,587	1,420,719	972,836
Management expense ratio before performance fee (b)	0.71%	0.67%	0.00%
Management expense ratio (b)	1.06%	1.25%	0.00%
Management expense ratio before absorptions (c)	1.06%	1.56%	0.69%
Trading expense ratio (d)	0.33%	0.51%	0.69%
Portfolio turnover rate (e)	435.59%	242.20%	43.18%
Net asset value per unit (\$) (a)	10.06	10.56	10.19

# Pender Alternative Arbitrage Fund

For the year ended December 31, 2023

## Ratios and Supplemental Data (cont'd)

	2023	2022	2021
<b>Class H</b>			
Total net asset value (\$000s) (a)	176	166	5
Number of units outstanding (a)	17,989	16,031	501
Management expense ratio before performance fee (b)	2.10%	2.25%	0.00%
Management expense ratio (b)	2.23%	3.66%	0.00%
Management expense ratio before absorptions (c)	2.23%	3.87%	2.11%
Trading expense ratio (d)	0.33%	0.51%	0.69%
Portfolio turnover rate (e)	435.59%	242.20%	43.18%
Net asset value per unit (\$) (a)	9.80	10.33	10.19
<b>Class I</b>			
Total net asset value (\$000s) (a)	2,706	1,237	5
Number of units outstanding (a)	273,860	119,853	501
Management expense ratio before performance fee (b)	1.24%	1.29%	0.00%
Management expense ratio (b)	1.63%	2.51%	0.00%
Management expense ratio before absorptions (c)	1.63%	2.69%	1.24%
Trading expense ratio (d)	0.33%	0.51%	0.69%
Portfolio turnover rate (e)	435.59%	242.20%	43.18%
Net asset value per unit (\$) (a)	9.88	10.32	10.19
<b>Class O</b>			
Total net asset value (\$000s) (a)	4,040	5,100	168
Number of units outstanding (a)	399,614	482,623	16,528
Management expense ratio before performance fee (b)	0.00%	0.00%	0.00%
Management expense ratio (b)	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	0.00%	0.00%	0.00%
Trading expense ratio (d)	0.33%	0.51%	0.69%
Portfolio turnover rate (e)	435.59%	242.20%	43.18%
Net asset value per unit (\$) (a)	10.11	10.56	10.19
<b>Class F (USD)</b>			
Total net asset value (\$000s) (a)	13	7	
Number of units outstanding (a)	1,074	507	
Management expense ratio before performance fee (b)	1.41%	1.85%	
Management expense ratio (b)	1.76%	2.18%	
Management expense ratio before absorptions (c)	1.76%	2.68%	
Trading expense ratio (d)	0.33%	0.51%	
Portfolio turnover rate (e)	435.59%	242.20%	
Net asset value per unit (\$) (a)	12.57	13.49	

# Pender Alternative Arbitrage Fund

For the year ended December 31, 2023

## Ratios and Supplemental Data (cont'd)

	2023	2022	2021
<b>Class I (USD)</b>			
Total net asset value (\$000s) (a)	400	7	
Number of units outstanding (a)	32,619	521	
Management expense ratio before performance fee (b)	1.21%	1.65%	
Management expense ratio (b)	1.68%	2.00%	
Management expense ratio before absorptions (c)	1.68%	2.49%	
Trading expense ratio (d)	0.33%	0.51%	
Portfolio turnover rate (e)	435.59%	242.20%	
Net asset value per unit (\$) (a)	12.26	13.19	

(a) This information is derived from the Fund's audited annual financial statements as at December 31 for the year stated, prepared under IFRS Accounting Standards. Class A (USD), Class H (USD) and Class N were closed on May 26, 2023.

(b) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the year and is expressed as an annualized percentage of daily average net asset value during the year. The MER may vary from one class of units to another because of differences in the applicable management fees and certain fees and expenses may have been absorbed by the Manager which would otherwise be paid by the Fund. Management expense ratio before performance fee is the MER before any performance fees, if applicable, for the stated year.

(c) The Manager of the Fund has agreed to absorb sufficient expenses of the Fund, as necessary, so that the annual MER before applicable taxes such as GST or HST will not exceed certain limits as outlined in the Fund's Simplified Prospectus. The amount of expenses absorbed is at the discretion of the Manager as set out in the Fund's Simplified Prospectus, and the Manager may in its sole discretion cease to absorb expenses.

(d) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year.

(e) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. In general, the higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

## Past Performance

The following charts show the past performance for the units of each class of the Fund and do not necessarily indicate how the Fund will perform in the future. The information shown assumes that any distributions made by the Fund were reinvested in additional units of the Fund. Returns would be different if an investor did not reinvest distributions. In addition, the information does not take into account sales, redemptions, income taxes payable or other charges that would have reduced returns or performance. Past performance for Class A (USD), Class H (USD) and Class N units of the Fund are not available for disclosure because they were closed during the year.

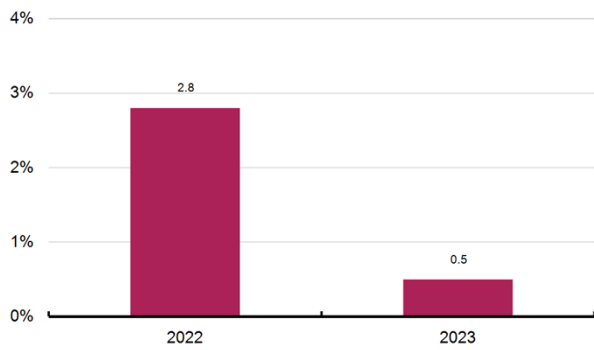
# Pender Alternative Arbitrage Fund

For the year ended December 31, 2023

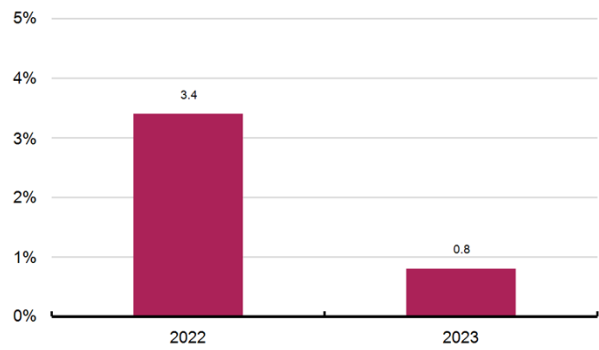
## Year-by-Year Returns

To illustrate how the Fund's performance has varied over time, the following bar charts show the Fund's annual returns for the calendar years indicated. The information is presented starting from the first full financial year of the respective Fund class. In percentage terms, the bar charts show how much an investment held on the first day of the year would have increased or decreased by the last day of the year.

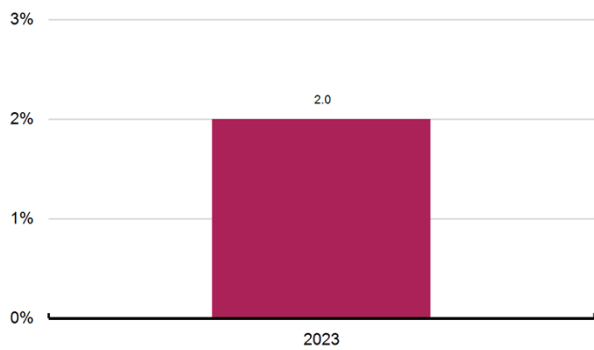
### Class A



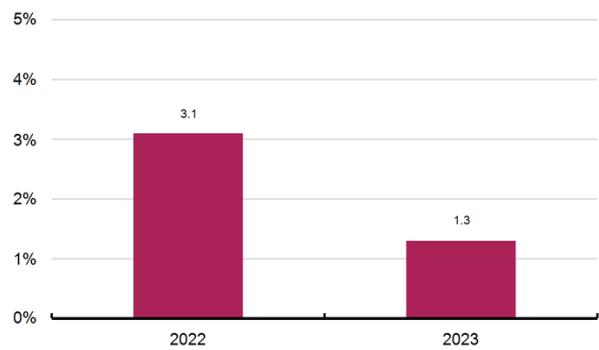
### Class AF



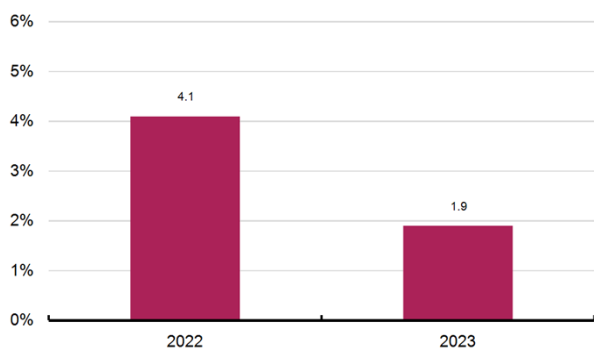
### Class E



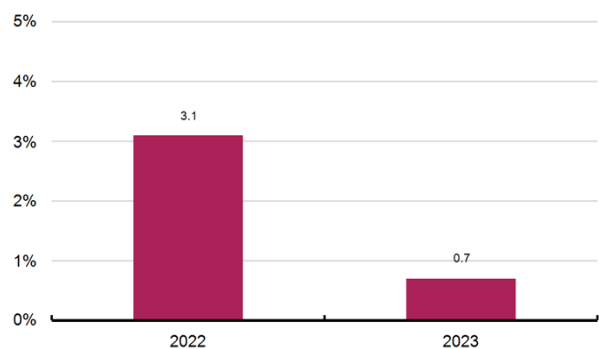
### Class F



### Class FF



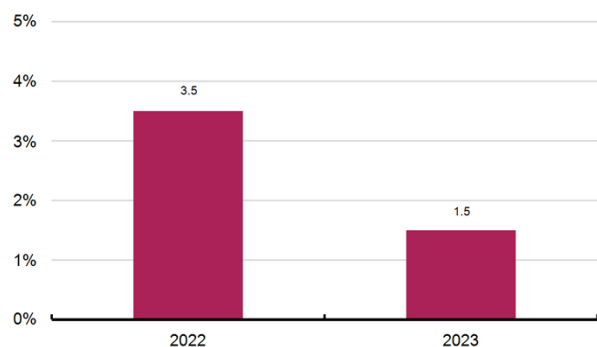
### Class H



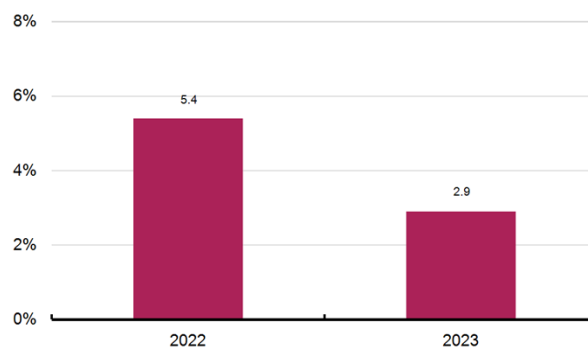
# Pender Alternative Arbitrage Fund

For the year ended December 31, 2023

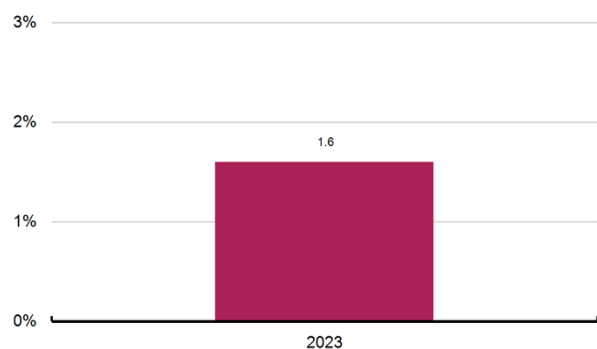
## Class I



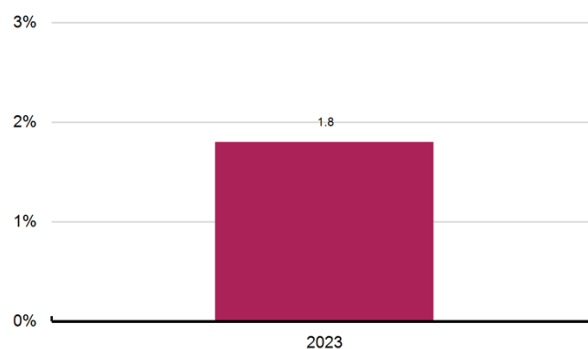
## Class O



## Class F (USD)



## Class I (USD)



## Annual Compound Returns

The annual compound returns table compares the Fund's performance to one or more benchmarks. Benchmarks are usually an index or a composite of more than one index. An index is generally made up of a group of securities. Since the Fund does not necessarily invest in the same securities as an index or in the same proportion, the Fund's performance is not expected to equal the performance of the index. Fund returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund's benchmark, which are based on the performance of an index that does not pay fees or incur expenses. It may be more helpful to compare the Fund's performance to that of other mutual funds with similar objectives and investment strategies.

The Fund's benchmark is the HFRI ED: Merger Arbitrage Index (USD). The HFRI ED: Merger Arbitrage Index is based on merger arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction. The index involves primarily announced transactions, typically with limited or no exposure to situations which pre-, post-date or situations in which no formal announcement is expected to occur. Opportunities are frequently presented in cross border, collared and international transactions which incorporate multiple geographic regulatory institutions, which typically involve minimal exposure to corporate credits

A discussion of the performance of the Fund as compared to its benchmarks is found in the "Results of Operations" section of this report.

	Inception Date	1 Year (%)	Since Inception (%)
Class A	08-Sep-21	0.5	2.3
HFRI ED: Merger Arbitrage Index (USD)		6.2	5.0
Class AF	08-Sep-21	0.8	2.7
HFRI ED: Merger Arbitrage Index (USD)		6.2	5.0

# Pender Alternative Arbitrage Fund

For the year ended December 31, 2023

	Inception Date	1 Year (%)	Since Inception (%)
Class E	01-Sep-22	2.0	2.8
HFRI ED: Merger Arbitrage Index (USD)		6.2	5.8
Class F	08-Sep-21	1.3	2.8
HFRI ED: Merger Arbitrage Index (USD)		6.2	5.0
Class FF	08-Sep-21	1.9	3.5
HFRI ED: Merger Arbitrage Index (USD)		6.2	5.0
Class H	08-Sep-21	0.7	2.5
HFRI ED: Merger Arbitrage Index (USD)		6.2	5.0
Class I	08-Sep-21	1.5	3.1
HFRI ED: Merger Arbitrage Index (USD)		6.2	5.0
Class O	08-Sep-21	2.9	4.5
HFRI ED: Merger Arbitrage Index (USD)		6.2	5.0
Class F (USD)	01-Sep-22	1.6	2.2
HFRI ED: Merger Arbitrage Index (USD)		6.2	5.8
Class I (USD)	01-Sep-22	1.8	2.4
HFRI ED: Merger Arbitrage Index (USD)		6.2	5.8

## Summary of Investment Portfolio

The largest holdings of the Fund as at the end of the year and the major asset classes in which the Fund was invested are indicated below. Where the Fund has less than 25 holdings, the table will show the Fund's entire investment portfolio. The investment portfolio may change due to ongoing portfolio transactions. An update of the Fund's summary of investment portfolio as at the end of each calendar quarter is available from the Manager. Please see the front page of this document for information about how this can be obtained.

## Top 25 Holdings

	% of Net Assets
<b>LONG POSITIONS</b>	
American Equity Investment Life Holding Company	2.5
NeoGames S.A.	2.5
National Western Life Group, Inc., Class 'A'	2.4
Chico's FAS, Inc.	2.1
ImmunoGen, Inc.	2.1
Vericity, Inc.	2.1
Logistec Corporation, Class 'B'	1.9
Marathon Gold Corporation	1.9
Alteryx, Inc.	1.8
American National Bankshares Inc.	1.6
Hollysys Automation Technologies Ltd.	1.6
Sovos Brands, Inc.	1.6
Karuna Therapeutics, Inc.	1.5
GAN Limited	1.3
SP Plus Corporation	1.3
Splunk Inc.	1.2
CapStar Financial Holdings, Inc.	1.1
Consolidated Communications Holdings, Inc.	1.1
Olink Holding AB (publ), ADR	1.1
Battalion Oil Corporation	1.0
Capri Holdings Limited	1.0
Cerevel Therapeutics Holdings, Inc.	1.0

# Pender Alternative Arbitrage Fund

For the year ended December 31, 2023

## Top 25 Holdings (cont'd)

	% of Net Assets
<b>SHORT POSITIONS</b>	
Calibre Mining Corp	(1.9)
Atlantic Union Bankshares Corporation	(1.6)
Old National Bancorp	(1.1)

## Composition of the Portfolio

	% of Net Assets
<b>LONG POSITIONS</b>	
Health care	10.7
Consumer discretionary	7.9
Insurance	7.0
Information technology	6.4
Industrials	5.4
Financial services	5.3
Materials	3.7
Banks	2.7
Energy	1.7
Consumer staples	1.6
Communication services	1.4
<b>Total Long Positions</b>	<b>53.8</b>
<b>SHORT POSITIONS</b>	
Materials	(3.3)
Banks	(2.7)
Energy	(0.4)
Industrials	(0.4)
<b>Total Short Positions</b>	<b>(6.8)</b>
Warrants	0.0
<b>Total investments</b>	<b>47.0</b>
Derivative assets	2.2
<b>Total investment portfolio</b>	<b>49.2</b>
Cash (Bank overdraft)	52.6
Other assets less liabilities	(1.8)
<b>Total net assets</b>	<b>100.0</b>

# Pender Alternative Arbitrage Fund

For the year ended December 31, 2023

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## **Caution Regarding Forward-Looking Statements**

This report contains forward-looking statements about the Fund, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies or prospects, and possible future Fund action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Fund and economic factors, among other things.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these digressions, including, but not limited to: geopolitical events, general economic, political and market factors in North America and internationally; interest and foreign exchange rates and the measures taken by central banks to manage inflation; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, except as may be required under applicable law, the Manager has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.





**Pender Alternative Arbitrage Fund**

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