

**PENDER MUTUAL FUNDS  
INDEPENDENT REVIEW COMMITTEE  
ANNUAL REPORT TO SECURITYHOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Introduction**

The following report describes the Independent Review Committee (the “IRC”) of the Pender Mutual Funds (the “Funds”) managed by PenderFund Capital Management Ltd. (“Manager”) and its related activities for the year ended December 31, 2016.

The Funds are the follows:

Pender Canadian Opportunities Fund  
Pender Corporate Bond Fund  
Pender Small Cap Opportunities Fund  
Pender Strategic Growth and Income Fund  
Pender US All Cap Equity Fund  
Pender Value Fund

**Membership and Composition**

The IRC consists of three members as appointed by the Manager. Each member is independent and has no material relationship with the Funds, Manager or any related entities that could be reasonably perceived to interfere with the member’s judgment regarding a conflict of interest matter.

The following individuals are the members of the IRC as at December 31, 2016. The changes to the composition or membership of the IRC during the year is noted below.

<b><u>Name</u></b>	<b><u>Length of Service</u></b>	<b><u>Other IRC Memberships</u></b>
Cameron Belsher (Chair)	Since May 7, 2009	None
Kerry Ho	Since February 11, 2015	None
John Webster	Since October 27, 2015	None

**Share Ownership**

The percentage of securities of each class or series of voting or equity securities beneficially owned, directly or indirectly, in aggregate, by all the members of the IRC:

- a) in the investment fund if the aggregate level of ownership exceeds 10 percent;
- b) in the Manager; or
- c) in any person or company that provides services to the investment fund or the Manager;

is none in all cases.

## **Compensation**

The level of compensation and expenses for the members of the IRC is determined by the Manager, reviewed and accepted by the IRC.

<b><u>Committee position</u></b>	<b><u>Retainer fee</u></b>	<b><u>Meeting fee</u></b>
Chair	\$5,000	\$750
Member	\$4,000	\$500

Each IRC member is also reimbursed for certain out-of-pocket costs associated with the performance of their duties.

In accepting the recommendation of the Manager, the IRC considered the following: the nature and complexity of the Funds' operations, the workload and time commitment required and the level of information provided to the committee.

For the year ended December 31, 2016, a total of \$14,750 was paid by the Funds to the IRC, amounts that were reimbursed by the Manager to the Fund. No amounts were paid to the IRC members by the Funds under indemnities in their favour.

## **Activities, Reviews and Approvals**

During the year ended December 31, 2016, the Manager informed the IRC that it relied on positive recommendations and standing instructions granted by the IRC relating to conflict of interest matters. The standing instructions require the Manager to follow its policies and procedures related to the applicable conflict of interest matters in all material respects and to report to the IRC. In certain cases prior approval of the IRC is required.

In light of Mr. Belsher having served as Chairman of the IRC since it was created in 2009, and the guidelines issued by NI81-107 as to the recommended term limits, the IRC decided to carry out an orderly transition including replacing Mr. Belsher on the IRC. The IRC considered several candidates and decided that it would appoint Mr. Robin Mahood as a member of the IRC, effective immediately following the delivery of this report. The IRC also decided that it would appoint Kerry Ho, who has served on the IRC since February 2015, as the Chair also effective immediately.

## **Certificate**

For the year ended December 31, 2016:

- a) There were no other instances of proposed actions involving a conflict of interest matter or potential conflict of interest matter that were referred to the IRC by the Manager for consideration, other than in accordance with the Standing Instructions as approved by the IRC on May 7, 2009 and amended on October 21, 2010, January 27, 2011, October 9, 2012 and February 12, 2013, February 11, 2014 and December 16, 2014; and
- b) The IRC is not aware of any instances where the Manager was involved in a conflict of interest matter.

This report is respectfully submitted to you on behalf of the Independent Review Committee of the Funds.

*“Cameron Belsher”*

Vancouver, British Columbia  
March 7, 2017

Cameron Belsher  
Chair of the Independent Review Committee