

Financial Statements of

PENDER MUTUAL FUNDS

Years ended December 31, 2017 and 2016

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the **Pender Mutual Funds** (the “Funds”) are the responsibility of management. They have been prepared in accordance with International Financial Reporting Standards.

PenderFund Capital Management Ltd. (the “Manager”) has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

The Board of Directors of the Manager is responsible for reviewing and approving the financial statements and for overseeing the Manager’s performance of its financial reporting responsibilities. The Board of Directors has approved the accompanying financial statements of the Funds.

These financial statements have been audited by KPMG LLP, Chartered Professional Accountants, on behalf of the unitholders. The auditors’ report outlines the scope of their audit and their opinion on the financial statements.

« David Barr »

David Barr
President, CEO and Co-Chief Investment Officer
PenderFund Capital Management Ltd.

« Kelvin Kwong »

Kelvin Kwong
Chief Financial Officer
PenderFund Capital Management Ltd.

March 28, 2018



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of:

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

(collectively, the "Funds")

We have audited the accompanying financial statements of the Funds, which comprise the statements of financial position as at December 31, 2017 and 2016, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

The Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2017 and 2016, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that serves as a decorative underline.

Chartered Professional Accountants

March 28, 2018

Vancouver, Canada

PENDER CANADIAN OPPORTUNITIES FUND

Statements of Financial Position

December 31, 2017 and 2016

	Notes	2017	2016
Assets			
Cash		\$ 169,984	\$ 1,229,415
Subscriptions receivable		990	-
Dividends receivable		6,454	6,015
Other receivables		1,151	-
Investments		6,842,418	3,077,102
		7,020,997	4,312,532
Liabilities			
Management and administration fees payable	4	7,470	5,846
Distributions payable to holders of redeemable units		1,198	-
Redemptions payable to holders of redeemable units		2,000	600
		10,668	6,446
Net assets , attributable to holders of redeemable units		\$ 7,010,329	\$ 4,306,086
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 1,068,144	\$ 1,051,313
Class D		52,084	23,650
Class F		5,322,297	2,629,952
Class H		6,067	5,688
Class I		233,828	5,711
Class O		327,909	589,772
		\$ 7,010,329	\$ 4,306,086
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 9.57	\$ 9.38
Class D		7.11	6.78
Class F		10.02	9.77
Class H		11.51	11.38
Class I		11.73	11.42
Class O		12.90	11.92

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr"

Director

"J. Kelly Edmison"

Director

PENDER CANADIAN OPPORTUNITIES FUND

Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

	Notes	2017	2016
Revenue:			
Dividend income		\$ 84,798	\$ 37,271
Interest income		-	1,961
Foreign exchange gain (loss)		(2,593)	1,941
Securities lending income	5	4,982	-
Changes in fair value of investments:			
Net realized gain (loss)		527,454	(27,861)
Net change in unrealized appreciation (depreciation)		(108,286)	490,474
Total revenue		506,355	503,786
Expenses:			
Management fees	4	61,058	29,516
Administration fees	4	25,739	8,673
Transaction costs		14,853	5,832
Independent review committee fees		261	131
Total expenses		101,911	44,152
Less: expenses absorbed by the Manager		(261)	(131)
Net expenses		101,650	44,021
Increase in net assets attributable to holders of redeemable units			
		\$ 404,705	\$ 459,765
Increase in net assets attributable to holders of redeemable units per class:			
Class A		\$ 56,832	\$ 154,774
Class D		2,517	1,868
Class F		292,757	300,768
Class H		395	688
Class I		8,094	710
Class O		44,110	957
		\$ 404,705	\$ 459,765
Increase in net assets attributable to holders of redeemable units per unit:			
Class A		\$ 0.52	\$ 1.29
Class D		0.44	1.26
Class F		0.64	2.51
Class H		0.79	1.38
Class I		0.67	1.42
Class O		0.98	1.51

The accompanying notes are an integral part of these financial statements.

PENDER CANADIAN OPPORTUNITIES FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2017 and 2016

Class A	2017	2016
Balance, beginning of year	\$ 1,051,313	\$ 970,131
Increase in net assets attributable to holders of redeemable units	56,832	154,774
Unit transactions:		
Proceeds from issue of redeemable units	326,938	173,302
Issued on reinvestment of distributions	36,007	-
Amounts paid on redemption of redeemable units	(364,541)	(246,894)
	(1,596)	(73,592)
Distributions paid from:		
Net investment income	(560)	-
Realized gains on sale of investments	(37,845)	-
Return of capital	-	-
	(38,405)	-
Balance, end of year	\$ 1,068,144	\$ 1,051,313
Class D	2017	2016
Balance, beginning of year	\$ 23,650	\$ 4,443
Increase in net assets attributable to holders of redeemable units	2,517	1,868
Unit transactions:		
Proceeds from issue of redeemable units	60,664	25,096
Issued on reinvestment of distributions	926	-
Amounts paid on redemption of redeemable units	(34,745)	(7,757)
	26,845	17,339
Distributions paid from:		
Net investment income	(47)	-
Realized gains on sale of investments	(881)	-
Return of capital	-	-
	(928)	-
Balance, end of year	\$ 52,084	\$ 23,650
Class F	2017	2016
Balance, beginning of year	\$ 2,629,952	\$ 526,555
Increase in net assets attributable to holders of redeemable units	292,757	300,768
Unit transactions:		
Proceeds from issue of redeemable units	3,707,373	1,937,366
Issued on reinvestment of distributions	215,380	-
Amounts paid on redemption of redeemable units	(1,301,765)	(134,737)
	2,620,988	1,802,629
Distributions paid from:		
Net investment income	(38)	-
Realized gains on sale of investments	(221,362)	-
Return of capital	-	-
	(221,400)	-
Balance, end of year	\$ 5,322,297	\$ 2,629,952

The accompanying notes are an integral part of these financial statements.

PENDER CANADIAN OPPORTUNITIES FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2017 and 2016

Class H	2017		2016	
Balance, beginning of year	\$	5,688	\$	-
Increase in net assets attributable to holders of redeemable units		395		688
Unit transactions:				
Proceeds from issue of redeemable units		310		5,000
Issued on reinvestment of distributions		-		-
Amounts paid on redemption of redeemable units		-		-
		310		5,000
Distributions paid from:				
Net investment income		(42)		-
Realized gains on sale of investments		(284)		-
Return of capital		-		-
		(326)		-
Balance, end of year	\$	6,067	\$	5,688
Class I	2017		2016	
Balance, beginning of year	\$	5,711	\$	-
Increase in net assets attributable to holders of redeemable units		8,094		710
Unit transactions:				
Proceeds from issue of redeemable units		433,882		5,001
Issued on reinvestment of distributions		4,662		-
Amounts paid on redemption of redeemable units		(213,128)		-
		225,416		5,001
Distributions paid from:				
Net investment income		(757)		-
Realized gains on sale of investments		(4,636)		-
Return of capital		-		-
		(5,393)		-
Balance, end of year	\$	233,828	\$	5,711
Class O	2017		2016	
Balance, beginning of year	\$	589,772	\$	5,000
Increase in net assets attributable to holders of redeemable units		44,110		957
Unit transactions:				
Proceeds from issue of redeemable units		-		583,828
Issued on reinvestment of distributions		173		-
Amounts paid on redemption of redeemable units		(305,973)		(13)
		(305,800)		583,815
Distributions paid from:				
Net investment income		-		-
Realized gains on sale of investments		(173)		-
Return of capital		-		-
		(173)		-
Balance, end of year	\$	327,909	\$	589,772

The accompanying notes are an integral part of these financial statements.

PENDER CANADIAN OPPORTUNITIES FUND

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash provided by (used in):		
Operating:		
Increase in net assets attributable to holders of redeemable units	\$ 404,705	\$ 459,765
Adjustments for:		
Dividend income	(84,798)	(37,271)
Interest income	-	(1,961)
Foreign exchange (gain) loss	2,593	(1,941)
Net realized (gain) loss on sale of investments	(527,454)	27,861
Net change in unrealized (appreciation) depreciation of investments	108,286	(490,474)
Management and administration fees payable	1,624	2,933
Other receivable	(1,151)	-
Proceeds on disposal of investments	2,905,961	803,834
Amounts paid on purchase of investments	(6,252,111)	(2,098,977)
Dividends received	84,360	35,653
Interest received	-	1,952
	(3,357,985)	(1,298,626)
Financing:		
Proceeds from issue of redeemable units	4,527,868	2,734,717
Payments on redemption of redeemable units	(2,218,752)	(398,149)
Distributions paid to unitholders	(7,969)	-
	2,301,147	2,336,568
Net increase (decrease) in cash	(1,056,838)	1,037,942
Cash, beginning of year	1,229,415	189,532
Effect of exchange rate fluctuations on cash	(2,593)	1,941
Cash, end of year	\$ 169,984	\$ 1,229,415

The accompanying notes are an integral part of these financial statements.

PENDER CANADIAN OPPORTUNITIES FUND

Schedule of Investment Portfolio

December 31, 2017

	Number of shares / units	Cost	Fair value
Equities:			
Consumer discretionary (17.9%):			
AutoCanada Inc.	7,000	\$ 164,567	\$ 158,480
DHX Media Ltd.	17,900	69,018	81,266
Diversified Royalty Corp.	20,342	51,167	70,383
Dollarama Inc.	834	59,607	130,980
Freshii Inc. Class 'A'	28,840	256,774	211,686
Indigo Books & Music Inc.	9,305	150,130	174,562
Sleep Country Canada Holdings Inc.	8,250	286,909	275,550
Uni-Select Inc.	5,240	142,964	148,868
		1,181,136	1,251,775
Consumer staples (4.6%):			
Alimentation Couche-Tard Inc. Class 'B'	2,500	150,928	163,975
Saputo Inc.	3,581	131,518	161,790
		282,446	325,765
Diversified financials (17.4%):			
Acasta Enterprises Inc. Class 'B'	24,787	137,988	148,474
Brookfield Asset Management Inc. Class 'A'	4,015	190,216	219,701
Chesswood Group Ltd.	12,600	150,151	144,648
CI Financial Corp.	6,563	185,836	195,381
Crown Capital Partners Inc.	10,300	103,311	102,176
Cymbria Corp. Class 'A'	1,690	57,242	88,725
ECN Capital Corp.	28,100	102,876	110,433
Onex Corp.	2,318	191,571	213,696
		1,119,191	1,223,234
Energy (8.3%):			
Neulion Inc.	223,600	166,259	116,272
Peyto Exploration & Development Corp.	15,500	296,926	232,965
TerraVest Industries Inc.	4,900	29,643	45,815
Tourmaline Oil Corp.	8,192	223,706	186,614
		716,534	581,666
Healthcare (5.7%):			
Knight Therapeutics Inc.	2,728	21,348	22,670
Medicure Inc.	31,200	200,779	232,440
Zymeworks Inc.	14,933	163,148	142,013
		385,275	397,123
Industrials (10.9%):			
Canadian National Railway Co.	1,312	103,060	135,989
Carmanah Technologies Corp.	22,900	99,138	106,485
Inscape Corp. Class 'B'	28,114	92,962	87,153
Maxar Technologies Ltd.	2,100	144,501	169,932
Morneau Shepell Inc.	4,300	91,792	95,890
TFI International Inc.	5,211	134,873	171,233
		666,326	766,682
Carried forward		4,350,908	4,546,245

PENDER CANADIAN OPPORTUNITIES FUND

Schedule of Investment Portfolio (continued)

December 31, 2017

	Coupon rate / exercise price	Maturity / expiry date	Issue currency	Number of shares / units	Cost	Fair value
Equities (continued):						
Brought forward					\$ 4,350,908	\$ 4,546,245
Information technology (11.6%):						
Absolute Software Corp.				26,900	189,066	185,072
Avigilon Corp.				10,062	105,637	212,208
Constellation Software Inc.				206	80,254	156,976
EXFO Inc.				9,900	50,520	54,450
Sierra Wireless Inc.				8,030	188,226	206,371
					613,703	815,077
Insurance (2.7%):						
Trisura Group Ltd.				7,215	186,243	185,858
					186,243	185,858
Materials (10.9%):						
CCL Industries Inc. Class 'B'				7,600	454,090	441,407
Winpak Ltd.				6,900	339,271	322,920
					793,361	764,327
Real estate (4.4%):						
Dream Unlimited Corp. Class 'A'				39,500	289,346	306,520
					289,346	306,520
Utilities (3.2%):						
Maxim Power Corp.				81,201	249,222	223,303
					249,222	223,303
Total equities (97.6%)					6,482,783	6,841,330
Corporate bonds:						
GuestLogix Inc.	7.00%	2019/12/31	CAD	54,400	28,893	1,088
					28,893	1,088
Warrants:						
Energy Fuels Inc.	\$ 3.20	2019/03/14	CAD	4,450	1,682	-
					1,682	-
Less: Transaction costs included in cost of investments					(8,912)	-
Total investments (97.6%)					\$ 6,504,446	6,842,418
Cash (2.4%)						169,984
Other assets less liabilities (0.0%)						(2,073)
Total net assets attributable to holders of redeemable units (100.0%)						\$ 7,010,329

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Statements of Financial Position

December 31, 2017 and 2016

	Notes	2017	2016
Assets			
Cash		\$ 9,192,058	\$ 3,147,266
Subscriptions receivable		295,500	268,936
Receivable for investments sold		5,003	716,782
Dividends receivable		90,466	59,948
Interest receivable		1,873,311	1,101,389
Other receivable	4	354	2,100,000
Deposits with brokers		-	1,161,632
Derivative assets		2,771,504	-
Investments		180,410,052	105,311,871
		194,638,248	113,867,824
Liabilities			
Management and administration fees payable	4	192,984	132,750
Distributions payable to holders of redeemable units		9,351	-
Redemptions payable to holders of redeemable units		21,458	20,200
Payable for investments purchased		164,441	-
Interest payable		-	1,509
Derivative liabilities		-	628,216
Investments sold short		-	1,011,603
		388,234	1,794,278
Net assets , attributable to holders of redeemable units		\$ 194,250,014	\$ 112,073,546
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 38,229,254	\$ 38,595,403
Class A (USD)		1,263,971	1,419,842
Class D		182,431	47,977
Class F		68,365,397	34,937,760
Class F (USD)		12,427,041	985,495
Class H		19,158,685	12,115,891
Class I		42,272,114	16,158,013
Class O		12,351,121	7,813,165
		\$ 194,250,014	\$ 112,073,546
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 11.92	\$ 11.48
Class A (USD)		12.48	12.67
Class D		10.92	10.52
Class F		11.92	11.48
Class F (USD)		12.35	12.54
Class H		10.51	10.11
Class I		10.24	9.85
Class O		10.37	9.97

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr"

Director

"J. Kelly Edmison"

Director

PENDER CORPORATE BOND FUND

Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

	Notes	2017	2016
Revenue:			
Dividend income		\$ 950,571	\$ 1,144,029
Interest income		6,450,257	4,904,061
Foreign exchange gain (loss)		(314,895)	1,031,367
Securities lending income	5	1,311	-
Changes in fair value of investments and derivatives:			
Net realized gain		10,802,873	185,759
Net change in unrealized appreciation (depreciation)	6	(5,705,819)	15,350,841
Total revenue		12,184,298	22,616,057
Expenses:			
Management fees	4	1,343,762	1,117,279
Administration fees	4	633,045	422,911
Withholding taxes	7	26,624	83,501
Transaction costs		114,490	80,401
Interest expense		-	8,314
Independent review committee fees		7,123	3,937
Total expenses		2,125,044	1,716,343
Less: expenses absorbed by the Manager		(7,123)	(3,937)
Net expenses		2,117,921	1,712,406
Increase in net assets attributable to holders of redeemable units			
		\$ 10,066,377	\$ 20,903,651
Increase in net assets attributable to holders of redeemable units per class:			
Class A		\$ 2,523,880	\$ 9,934,615
Class A (USD)		23,704	140,548
Class D		8,489	5,694
Class F		3,633,954	5,775,201
Class F (USD)		47,862	86,109
Class H		1,027,944	1,217,591
Class I		1,912,083	2,596,512
Class O		888,461	1,147,381
		\$ 10,066,377	\$ 20,903,651
Increase in net assets attributable to holders of redeemable units per unit:			
Class A		\$ 0.78	\$ 2.13
Class A (USD)		0.22	0.76
Class D		0.68	2.19
Class F		0.81	2.20
Class F (USD)		0.08	1.46
Class H		0.69	1.76
Class I		0.72	1.84
Class O		0.85	2.01

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2017 and 2016

Class A	2017	2016
Balance, beginning of year	\$ 38,595,403	\$ 53,812,080
Increase in net assets attributable to holders of redeemable units	2,523,880	9,934,615
Unit transactions:		
Proceeds from issue of redeemable units	11,285,265	5,458,436
Issued on reinvestment of distributions	788,141	1,423,027
Amounts paid on redemption of redeemable units	(13,890,338)	(30,177,657)
	(1,816,932)	(23,296,194)
Distributions paid from:		
Net investment income	(1,073,097)	(1,855,098)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(1,073,097)	(1,855,098)
Balance, end of year	\$ 38,229,254	\$ 38,595,403
Class A (USD)	2017	2016
Balance, beginning of year	\$ 1,419,842	\$ 4,291,467
Increase in net assets attributable to holders of redeemable units	23,704	140,548
Unit transactions:		
Proceeds from issue of redeemable units	499,711	753,254
Issued on reinvestment of distributions	24,719	58,987
Amounts paid on redemption of redeemable units	(665,913)	(3,744,433)
	(141,483)	(2,932,192)
Distributions paid from:		
Net investment income	(38,092)	(79,981)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(38,092)	(79,981)
Balance, end of year	\$ 1,263,971	\$ 1,419,842
Class D	2017	2016
Balance, beginning of year	\$ 47,977	\$ 4,583
Increase in net assets attributable to holders of redeemable units	8,489	5,694
Unit transactions:		
Proceeds from issue of redeemable units	165,022	63,045
Issued on reinvestment of distributions	4,556	1,045
Amounts paid on redemption of redeemable units	(39,052)	(25,345)
	130,526	38,745
Distributions paid from:		
Net investment income	(4,561)	(1,045)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(4,561)	(1,045)
Balance, end of year	\$ 182,431	\$ 47,977

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2017 and 2016

Class F	2017	2016
Balance, beginning of year	\$ 34,937,760	\$ 30,490,275
Increase in net assets attributable to holders of redeemable units	3,633,954	5,775,201
Unit transactions:		
Proceeds from issue of redeemable units	48,257,399	14,950,957
Issued on reinvestment of distributions	1,145,539	821,857
Amounts paid on redemption of redeemable units	(17,694,646)	(15,824,677)
	31,708,292	(51,863)
Distributions paid from:		
Net investment income	(1,914,609)	(1,275,853)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(1,914,609)	(1,275,853)
Balance, end of year	\$ 68,365,397	\$ 34,937,760

Class F (USD)	2017	2016
Balance, beginning of year	\$ 985,495	\$ 1,463,853
Increase in net assets attributable to holders of redeemable units	47,862	86,109
Unit transactions:		
Proceeds from issue of redeemable units	12,006,315	852,289
Issued on reinvestment of distributions	188,511	20,427
Amounts paid on redemption of redeemable units	(507,482)	(1,406,105)
	11,687,344	(533,389)
Distributions paid from:		
Net investment income	(293,660)	(31,078)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(293,660)	(31,078)
Balance, end of year	\$ 12,427,041	\$ 985,495

Class H	2017	2016
Balance, beginning of year	\$ 12,115,891	\$ 5,738,265
Increase in net assets attributable to holders of redeemable units	1,027,944	1,217,591
Unit transactions:		
Proceeds from issue of redeemable units	7,597,516	6,423,858
Issued on reinvestment of distributions	369,691	181,014
Amounts paid on redemption of redeemable units	(1,463,666)	(1,207,702)
	6,503,541	5,397,170
Distributions paid from:		
Net investment income	(488,691)	(237,135)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(488,691)	(237,135)
Balance, end of year	\$ 19,158,685	\$ 12,115,891

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2017 and 2016

Class I	2017	2016
Balance, beginning of year	\$ 16,158,013	\$ 14,003,839
Increase in net assets attributable to holders of redeemable units	1,912,083	2,596,512
Unit transactions:		
Proceeds from issue of redeemable units	28,823,180	7,054,608
Issued on reinvestment of distributions	596,185	233,110
Amounts paid on redemption of redeemable units	(4,174,977)	(7,119,089)
	25,244,388	168,629
Distributions paid from:		
Net investment income	(1,042,370)	(610,967)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(1,042,370)	(610,967)
Balance, end of year	\$ 42,272,114	\$ 16,158,013
Class O	2017	2016
Balance, beginning of year	\$ 7,813,165	\$ 3,037,839
Increase in net assets attributable to holders of redeemable units	888,461	1,147,381
Unit transactions		
Proceeds from issue of redeemable units	4,761,000	4,631,960
Issued on reinvestment of distributions	511,138	305,445
Amounts paid on redemption of redeemable units	(1,111,504)	(1,004,015)
	4,160,634	3,933,390
Distributions paid from:		
Net investment income	(511,139)	(305,445)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(511,139)	(305,445)
Balance, end of year	\$ 12,351,121	\$ 7,813,165

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash provided by (used in):		
Operating:		
Increase in net assets attributable to holders of redeemable units	\$ 10,066,377	\$ 20,903,651
Adjustments for:		
Dividend income	(950,571)	(1,144,029)
Interest income	(6,450,257)	(4,904,061)
Foreign exchange (gain) loss	314,895	(1,031,367)
Net realized (gain) on sale of investments and derivatives	(7,577,224)	(3,159,830)
Net change in unrealized (appreciation) depreciation of investments and derivatives	9,105,539	(12,726,722)
Derivative assets and liabilities	(3,399,720)	(2,624,120)
Other receivable	2,099,646	(2,100,000)
Deposits with brokers	1,161,632	252,156
Management and administration fees payable	60,234	(36,169)
Interest payable	(1,509)	(6,480)
Proceeds on disposal of investments and derivatives	138,010,693	142,188,288
Amounts paid on purchase of investments and derivatives	(214,772,572)	(144,699,094)
Dividends received	920,053	1,122,159
Interest received	5,678,335	4,590,579
	(65,734,449)	(3,025,087)
Financing:		
Proceeds from issue of redeemable units	113,368,844	39,963,149
Payments on redemption of redeemable units	(39,546,320)	(60,867,182)
Distributions paid to unitholders	(1,728,388)	(1,351,690)
	72,094,136	(22,255,723)
Net increase (decrease) in cash	6,359,687	(25,280,801)
Cash, beginning of year	3,147,266	27,746,661
Effect of exchange rate fluctuations on cash	(314,895)	1,031,367
Cash, end of year	\$ 9,192,058	\$ 3,147,266

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Schedule of Investment Portfolio

December 31, 2017

	Interest rate	Maturity date	Issue currency	Face value	Cost	Fair value
Corporate bonds and loans:						
Canada (30.0%):						
AGT Food and Ingredients Inc.	5.88%	2021/12/21	CAD	\$ 3,000,000	\$ 3,067,500	\$ 3,031,250
Aimia Inc.	5.60%	2019/05/17	CAD	5,500,000	5,302,500	5,509,845
Alimentation Couche-Tard Inc.	4.21%	2020/08/21	CAD	2,000,000	2,107,000	2,091,367
Canadian National Railway Co.	2.75%	2021/02/18	CAD	3,000,000	3,065,320	3,041,547
Canadian Pacific Railway Co.	5.10%	2022/01/14	CAD	3,750,000	4,160,925	4,095,028
Dorel Industries Inc.	5.50%	2019/11/30	USD	3,192,000	4,190,930	4,045,410
Energy Fuels Inc.	8.50%	2020/12/31	CAD	2,748,000	2,576,339	2,729,451
Gran Colombia Gold Corp.	6.00%	2020/01/02	USD	979,213	1,080,094	1,172,308
Gran Colombia Gold Corp.	8.00%	2024/01/02	USD	1,540,000	1,666,098	1,833,066
Just Energy Group Inc.	6.50%	2019/07/29	USD	6,200,000	7,882,173	7,632,345
Masonite International Corp.	5.63%	2023/03/15	USD	2,500,000	3,367,167	3,289,933
NAV Canada	5.30%	2019/04/17	CAD	5,000,000	5,290,400	5,203,315
Open Text Corp.	5.63%	2023/01/15	USD	2,000,000	2,801,858	2,606,136
Primero Mining Corp.	5.75%	2020/02/28	USD	3,261,000	2,621,046	2,764,826
Sherritt International Corp.	8.00%	2021/11/15	CAD	500,000	352,500	431,875
Sherritt International Corp.	7.88%	2025/10/11	CAD	4,600,000	3,371,500	3,745,166
Silver Standard Resources Inc.	2.88%	2033/02/01	USD	2,500,000	3,203,045	3,112,594
TELUS Corp.	2.35%	2022/03/28	CAD	2,000,000	1,997,220	1,976,838
					58,103,615	58,312,300
United States (48.7%):						
Alliance Data Systems Corp.	6.38%	2020/04/01	USD	3,000,000	3,982,855	3,800,949
Alliance Data Systems Corp.	5.88%	2021/11/01	USD	1,158,000	1,563,125	1,490,816
Apple Inc.	2.15%	2022/02/09	USD	2,500,000	3,186,542	3,093,452
Commonwealth of Puerto Rico	8.00%	2035/07/01	USD	8,050,000	3,301,031	2,420,699
Connacher Oil and Gas Limited, TLA	10.00%	2018/05/23	USD	272,054	293,613	340,870
Connacher Oil and Gas Limited, TLB	10.00%	2018/05/23	USD	567,708	612,707	142,262
Diageo Investment Corp.	2.88%	2022/05/11	USD	1,000,000	1,383,340	1,272,587
Enova International Inc.	9.75%	2021/06/01	USD	1,620,000	1,678,180	2,156,640
Era Group Inc.	7.75%	2022/12/15	USD	2,000,000	2,497,380	2,443,253
FLIR Systems Inc.	3.13%	2021/06/15	USD	2,000,000	2,633,116	2,526,445
FXCM Inc.	2.25%	2018/06/15	USD	6,365,000	4,032,947	3,509,012
Halyard Health Inc.	6.25%	2022/10/15	USD	4,380,000	6,053,865	5,707,438
Inotek Pharmaceuticals Corp.	5.75%	2021/08/01	USD	4,750,000	4,652,724	4,831,884
McDonald's Corp.	3.13%	2025/03/04	CAD	3,000,000	3,006,480	3,021,060
ModusLink Global Solutions Inc.	5.25%	2019/03/01	USD	5,000,000	5,910,002	6,256,919
Novavax Inc.	3.75%	2023/02/01	USD	2,000,000	1,152,130	1,184,038
Orexigen Therapeutics Inc.	2.75%	2020/12/01	USD	1,500,000	716,796	667,196
Pandora Media Inc.	1.75%	2020/12/01	USD	2,000,000	2,290,145	2,225,552
PHI Inc.	5.25%	2019/03/15	USD	2,209,000	2,681,554	2,771,088
Plantronics Inc.	5.50%	2023/05/31	USD	2,756,000	3,718,298	3,595,572
PRA Group Inc.	3.00%	2020/08/01	USD	2,000,000	2,404,698	2,405,664
Rite Aid Corp.	6.13%	2023/04/01	USD	3,632,000	4,282,713	4,124,085
Samson Investment Co.	9.75%	2020/02/15	USD	5,000,000	69,641	305,407
The KEYW Holding Corp.	2.50%	2019/07/15	USD	4,545,000	5,533,578	5,224,848
TreeHouse Foods Inc.	4.88%	2022/03/15	USD	2,000,000	2,555,381	2,543,489
Twitter Inc.	0.25%	2019/09/15	USD	2,000,000	2,324,036	2,399,399
Twitter Inc.	1.00%	2021/09/15	USD	4,000,000	4,787,309	4,682,901
Verisign Inc.	4.63%	2023/05/01	USD	5,946,000	7,905,395	7,682,854
Visa Inc.	2.80%	2022/12/14	USD	2,500,000	3,233,538	3,180,391
W&T Offshore Inc.	9.00%	2020/05/15	USD	5,262,427	5,882,038	6,313,332
Walt Disney Co.	2.76%	2024/10/07	CAD	2,000,000	2,002,270	1,995,300
William Carter Co.	5.25%	2021/08/15	USD	220,000	290,241	283,746
					96,617,668	94,599,148

PENDER CORPORATE BOND FUND

Schedule of Investment Portfolio (continued)

December 31, 2017

	Interest rate	Maturity date	Issue currency	Face value	Cost	Fair value
Foreign (2.7%):						
Grupo FAMSAB SAB de CV	7.25%	2020/06/01	USD	\$ 1,500,000	\$ 1,603,868	\$ 1,863,600
Novasep Holding SAS		2032/12/15	USD	487,750	284,025	267,673
Seagate HDD Cayman	4.25%	2022/03/01	USD	1,500,000	1,982,971	1,892,064
Seagate HDD Cayman	4.75%	2023/06/01	USD	1,000,000	1,251,150	1,268,042
					5,122,014	5,291,379
Total corporate bonds and loans (81.4%)					\$159,843,297	\$158,202,827
Closed-end funds (3.6%):						
Advent Claymore Convertible Securities and Income Fund			USD	1,000	18,047	19,897
Invesco Pennsylvania Value Municipal Income Trust			USD	125,000	1,943,545	1,902,918
Legg Mason BW Global Income Opportunities Fund Inc.			USD	148,948	2,467,475	2,383,194
Western Asset / Claymore Inflation-Linked Opportunity and Income Fund			USD	40,753	565,939	583,122
Western Asset Emerging Markets Debt Fund Inc.			USD	110,406	2,078,711	2,151,081
					7,073,717	7,040,212
Common shares (0.6%):						
SandRidge Energy Inc.			USD	45,049	1,070,985	1,189,278
					1,070,985	1,189,278
Preferred shares (7.3%):						
Aimia Inc., Series 3	Variable		CAD	50,000	626,692	643,875
BCE Inc., Class A	Variable		CAD	40,000	801,123	815,600
BCE Inc., Series AM	Variable		CAD	57,200	1,057,231	1,113,112
BCE Inc., Series AQ	Variable		CAD	40,000	931,596	963,800
Brookfield Renewable Power Preferred Equity Inc., Class A	5.59%		CAD	47,700	925,914	1,149,093
Capstone Infrastructure Corp., Series A	Variable		CAD	20,000	236,480	269,400
George Weston Ltd., Series V	4.75%		CAD	92,500	2,160,704	2,092,350
George Weston Ltd., Series III	5.20%		CAD	92,100	2,288,035	2,289,606
Power Financial Corp., Series P	Variable		CAD	80,000	1,114,372	1,428,800
Thomson Reuters Corp., Series II	Variable		CAD	193,500	2,528,817	3,212,099
					12,670,964	13,977,735
Less: transaction costs included in cost of investments					(58,146)	-
Total investments (92.9%)					\$180,600,817	\$180,410,052

	Value date	Rate	Nominal value	Cost	Fair value
Derivative assets (1.4%):					
BNY Mellon, CAD/USD Forward	2018/01/10	\$ 1.29	\$110,609,900	\$ -	\$ 2,771,504
				-	2,771,504
Cash (4.7%)					9,192,058
Other assets less liabilities (1.0%)					1,876,400
Total net assets attributable to holders of redeemable units (100.0%)					\$194,250,014

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Financial Position

December 31, 2017 and 2016

	Notes	2017	2016
Assets			
Cash		\$ 32,345,628	\$ 19,420,522
Subscriptions receivable		41,650	-
Receivable for investments sold		2,118,453	341,299
Dividends receivable		171,240	139,139
Interest receivable		107,774	204,778
Other receivable		41,434	-
Investments		155,116,122	116,191,135
		189,942,301	136,296,873
Liabilities			
Management and administration fees payable	4	207,438	237,613
Distributions payable to holders of redeemable units		44,210	-
Redemptions payable to holders of redeemable units		51,778	29,362
Payable for investments purchased		28,706	-
		332,132	266,975
Net assets , attributable to holders of redeemable units		\$ 189,610,169	\$ 136,029,898
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 43,406,940	\$ 47,224,207
Class F		97,266,295	83,271,586
Class I		5,347,136	-
Class N		36,673,297	-
Class O		6,916,501	5,534,105
		\$ 189,610,169	\$ 136,029,898
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 26.88	\$ 25.88
Class F		26.53	25.72
Class I		12.51	-
Class N		11.55	-
Class O		26.02	25.15

See Note 4 re the 2017 fund merger.

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr" Director

"J. Kelly Edmison" Director

PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

	Notes	2017	2016
Revenue:			
Dividend income		\$ 1,791,036	\$ 1,550,368
Interest income		351,436	149,106
Foreign exchange gain (loss)		(929,588)	17,735
Securities lending income	5	35,563	-
Changes in fair value of investments:			
Net realized gain		19,789,003	16,421,190
Net change in unrealized appreciation (depreciation)		(5,079,991)	13,757,770
Total revenue		15,957,459	31,896,169
Expenses:			
Management fees	4	1,856,716	1,634,946
Administration fees	4	774,890	597,379
Withholding taxes	7	3,184	3,913
Transaction costs		222,559	115,872
Other taxes recovery		(91,453)	(20,366)
Independent review committee fees		7,055	4,789
Total expenses		2,772,951	2,336,533
Less: expenses absorbed by the Manager		(7,055)	(4,789)
Net expenses		2,765,896	2,331,744
Increase in net assets attributable to holders of redeemable units			
		\$ 13,191,563	\$ 29,564,425
Increase in net assets attributable to holders of redeemable units per class:			
Class A		\$ 3,756,859	\$ 10,243,897
Class F		8,053,638	18,168,623
Class I		63,949	-
Class N		671,853	-
Class O		645,264	1,151,905
		\$ 13,191,563	\$ 29,564,425
Increase in net assets attributable to holders of redeemable units per unit:			
Class A		\$ 2.24	\$ 5.55
Class F		2.46	5.80
Class I		0.16	-
Class N		0.24	-
Class O		2.65	8.03

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2017 and 2016

Class A	2017	2016	
Balance, beginning of year	\$ 47,224,207	\$ 43,781,485	
Increase in net assets attributable to holders of redeemable units	3,756,859	10,243,897	
Unit transactions			
Proceeds from issue of redeemable units	11,999	322,633	
Issued on reinvestment of distributions	1,823,386	3,228,126	
Amounts paid on redemption of redeemable units	(7,566,241)	(7,101,195)	
	(5,730,856)	(3,550,436)	
Distributions paid from:			
Net investment income	(9,425)	-	
Realized gains on sale of investments	(1,833,845)	(3,250,739)	
Return of capital	-	-	
	(1,843,270)	(3,250,739)	
Balance, end of year	\$ 43,406,940	\$ 47,224,207	
Class F	2017	2016	
Balance, beginning of year	\$ 83,271,586	\$ 74,553,145	
Increase in net assets attributable to holders of redeemable units	8,053,638	18,168,623	
Unit transactions			
Proceeds from issue of redeemable units	11,923,076	2,810,763	
Issued on reinvestment of distributions	5,065,741	6,576,223	
Amounts paid on redemption of redeemable units	(5,330,803)	(11,435,161)	
	11,658,014	(2,048,175)	
Distributions paid from:			
Net investment income	(113,562)	-	
Realized gains on sale of investments	(5,603,381)	(7,402,007)	
Return of capital	-	-	
	(5,716,943)	(7,402,007)	
Balance, end of year	\$ 97,266,295	\$ 83,271,586	
Class I	Notes	2017	2016
Balance, beginning of year		\$ -	\$ -
Increase in net assets attributable to holders of redeemable units		63,949	-
Unit transactions			
Proceeds from issue of redeemable units	4	5,870,050	-
Issued on reinvestment of distributions		312,753	-
Amounts paid on redemption of redeemable units		(571,430)	-
		5,611,373	-
Distributions paid from:			
Net investment income		(5,479)	-
Realized gains on sale of investments		(322,707)	-
Return of capital		-	-
		(328,186)	-
Balance, end of year		\$ 5,347,136	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2017 and 2016

Class N	Notes	2017	2016
Balance, beginning of year		\$ -	\$ -
Increase in net assets attributable to holders of redeemable units		671,853	-
Unit transactions			
Proceeds from issue of redeemable units	4	45,083,768	-
Issued on reinvestment of distributions		2,120,689	-
Amounts paid on redemption of redeemable units		(8,925,091)	-
		38,279,366	-
Distributions paid from:			
Net investment income		(13,024)	-
Realized gains on sale of investments		(2,264,898)	-
Return of capital		-	-
		(2,277,922)	-
Balance, end of year		\$ 36,673,297	\$ -

Class O	Notes	2017	2016
Balance, beginning of year		\$ 5,534,105	\$ 1,302,987
Increase in net assets attributable to holders of redeemable units		645,264	1,151,905
Unit transactions			
Proceeds from issue of redeemable units	4	942,160	3,512,059
Issued on reinvestment of distributions		472,184	581,529
Amounts paid on redemption of redeemable units		(205,029)	(432,836)
		1,209,315	3,660,752
Distributions paid from:			
Net investment income		(43,320)	-
Realized gains on sale of investments		(428,863)	(581,539)
Return of capital		-	-
		(472,183)	(581,539)
Balance, end of year		\$ 6,916,501	\$ 5,534,105

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	Notes	2017	2016
Cash provided by (used in):			
Operating:			
Increase in net assets attributable to holders of redeemable units		\$ 13,191,563	\$ 29,564,425
Adjustments for:			
Dividend income		(1,791,036)	(1,550,368)
Interest income		(351,436)	(149,106)
Foreign exchange (gain) loss		929,588	(17,735)
Net realized (gain) on sale of investments		(19,789,003)	(16,421,190)
Change in unrealized (appreciation) depreciation of investments		5,079,991	(13,757,770)
Other receivable		(41,434)	-
Management and administration fees payable		(30,173)	33,063
Proceeds on disposal of investments		70,717,913	45,925,847
Amounts paid on purchase of investments		(73,264,739)	(29,412,243)
Dividends received		1,758,935	1,514,703
Interest received		450,735	6,343
		(3,139,096)	15,735,969
Financing:			
Proceeds from issue of redeemable units		18,257,018	6,645,444
Cash received on merger	4	9,958,509	-
Payments on redemption of redeemable units		(10,422,197)	(18,958,591)
Distributions paid to unitholders		(799,540)	(848,396)
		16,993,790	(13,161,543)
Net increase in cash		13,854,694	2,574,426
Cash, beginning of year		19,420,522	16,828,361
Effect of exchange rate fluctuations on cash		(929,588)	17,735
Cash, end of year		\$ 32,345,628	\$ 19,420,522

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Schedule of Investment Portfolio

December 31, 2017

	Number of shares	Cost	Fair value
Equities:			
Consumer discretionary (10.6%):			
AutoCanada Inc.	78,000	\$ 1,844,801	\$ 1,765,920
DHX Media Ltd.	466,100	1,826,152	2,116,094
Diversified Royalty Corp.	1,496,458	3,791,891	5,177,745
Freshii Inc.	412,900	2,407,431	3,030,685
Indigo Books & Music Inc.	218,800	3,567,496	4,104,687
NeuLion, Inc.	2,984,200	1,635,101	1,551,784
SodaStream International Ltd.	25,850	1,041,739	2,281,044
Wellness Lifestyles Inc.	100,000	15,000	44,000
		16,129,611	20,071,959
Consumer staples (3.2%):			
GreenSpace Brands Inc.	4,259,967	5,281,996	6,006,553
		5,281,996	6,006,553
Diversified financials (2.8%):			
Chesswood Group Limited	465,300	5,314,635	5,341,644
Deans Knight Income Corp	3,000	1,200	1,200
		5,315,835	5,342,844
Energy (4.8%):			
Questor Technology Inc.	1,673,800	3,366,360	4,519,260
TerraVest Industries Inc.	497,400	3,182,916	4,650,690
		6,549,276	9,169,950
Healthcare (7.4%):			
Knight Therapeutics Inc.	70,472	551,472	585,622
Medicare Inc.	1,019,300	3,986,527	7,593,785
Vigil Health Solutions Inc.	1,558,600	212,157	1,091,020
Waverley Pharma Inc.	4,000,000	2,000,000	1,700,000
Zymeworks Inc	325,058	3,587,993	3,091,302
		10,338,149	14,061,729
Industrials (5.7%):			
CanWel Building Materials Group Ltd.	544,900	2,940,428	4,015,913
Carmanah Technologies Corporation	419,100	1,813,847	1,948,815
exactEarth Ltd.	264,300	322,685	274,872
Hardwoods Distribution Inc.	63,203	939,448	1,276,701
INSCAPE Corporation	1,055,944	3,329,017	3,273,426
		9,345,425	10,789,727
Carried forward		52,960,292	65,442,762

PENDER SMALL CAP OPPORTUNITIES FUND

Schedule of Investment Portfolio (continued)

December 31, 2017

	Number of shares	Cost	Fair value
Equities (continued):			
Brought forward		\$ 52,960,292	\$ 65,442,762
Information technology (37.3%):			
Absolute Software Corporation	745,500	5,030,658	5,129,040
AcuityAds Holdings Inc.	151,800	544,734	250,470
AgJunction Inc.	2,955,100	2,087,476	1,507,101
Airgain, Inc.	80,000	756,465	902,236
BSM Technologies Inc.	3,412,772	2,610,214	4,812,009
C-Com Satellite Systems Inc.	299,700	299,252	374,625
Cortex Business Solutions Inc.	356,300	1,428,763	1,567,720
Critical Control Energy Services Corp.	4,389,000	1,573,067	768,075
Ebix, Inc.	56,684	2,788,110	5,635,474
eGain Corporation	39,117	170,210	257,629
Espial Group Inc.	3,516,544	6,720,698	7,068,253
EXFO Inc	161,800	852,685	889,900
Mattersight Corporation	1,125,747	4,331,868	3,601,237
NexJ Systems Inc.	832,300	2,597,469	2,222,241
Photon Control Inc.	3,107,600	2,603,286	5,686,908
Points International Ltd.	196,883	2,513,653	2,559,480
Quantum Corporation	664,020	4,578,690	4,689,864
Quarterhill Inc.	969,700	2,037,424	2,249,704
Redline Communications Group Inc.	1,719,511	4,561,636	2,734,022
Sangoma Technologies Corporation	600,000	410,040	420,000
Sierra Wireless, Inc.	207,504	5,580,845	5,332,853
Siyata Mobile Inc.	4,228,000	2,383,643	2,325,400
Solium Capital Inc.	300,000	3,075,000	3,273,000
Symbility Solutions Inc.	1,780,500	720,388	747,810
Tantalus Systems Corp., Class D, Convertible	294,392	910,536	2,752,140
Upland Software, Inc.	38,005	1,023,853	1,032,690
Vecima Networks Inc.	195,600	2,015,757	1,858,200
		64,206,420	70,648,081
Telecommunications (3.3%):			
TeraGo Inc.	1,426,100	7,157,442	6,260,579
		7,157,442	6,260,579
Utilities (5.4%):			
Maxim Power Corp.	1,634,499	4,569,095	4,494,872
Polaris Infrastructure Inc.	328,213	3,787,477	5,707,624
		8,356,572	10,202,496
Total equities (80.5%)		132,680,726	152,553,918

	Coupon rate / exercise price	Maturity / expiry date	Issue currency	Number of shares / units	Cost	Fair value
Corporate bonds:						
Corporate bonds (1.3%):						
GuestLogix Inc.	7.00%	2019/12/31	CAD	7,600	429	152
ViXS Systems Inc.	10.00%	2019/09/09	CAD	550,000	550,000	550,000
ViXS Systems Inc.	10.00%	2020/01/12	CAD	1,938,266	1,938,266	1,938,266
Total corporate bonds (1.3%)					2,488,695	2,488,418

PENDER SMALL CAP OPPORTUNITIES FUND

Schedule of Investment Portfolio (continued)

December 31, 2017

	Coupon rate / exercise price	Maturity / expiry date	Number of shares / units	Cost	Fair value
Warrants:					
Warrants (0.0%):					
Energy Fuels Inc.	\$ 2.45	2021/09/20	200,000	-	-
Energy Fuels Inc.	3.20	2019/03/14	1,350	-	-
Siyata Mobile Inc.	0.50	2018/06/10	1,285,714	-	64,286
Wellness Lifestyles Inc.	0.25	2019/06/13	50,000	-	9,500
Total warrants (0.0%)				-	73,786
Less: Transaction costs included in cost of investments				(262,237)	-
Total investments (81.8%)			\$	134,907,184	155,116,122
Cash (17.1%)					32,345,628
Other assets less liabilities (1.1%)					2,148,419
Total net assets attributable to holders of redeemable units (100.0%)				\$	189,610,169

The accompanying notes are an integral part of these financial statements.

PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Financial Position

December 31, 2017 and 2016

	Notes	2017	2016
Assets			
Cash		\$ 674,925	\$ 619,051
Subscriptions receivable		20,000	-
Dividends receivable		30,623	16,692
Other receivables		231	90
Investments		20,588,569	11,166,659
		21,314,348	11,802,492
Liabilities			
Management and administration fees payable	4	28,955	20,051
Distributions payable to holders of redeemable units		2,280	-
		31,235	20,051
Net assets, attributable to holders of redeemable units		\$ 21,283,113	\$ 11,782,441
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 9,827,861	\$ 8,574,047
Class D		19,784	12,663
Class F		11,418,974	3,189,808
Class H		5,066	-
Class I		5,088	-
Class O		6,340	5,923
		\$ 21,283,113	\$ 11,782,441
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 12.89	\$ 12.77
Class D		11.14	10.61
Class F		13.03	12.79
Class H		9.67	-
Class I		9.68	-
Class O		11.62	11.50

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr"

Director

"J. Kelly Edmison"

Director

PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

	Notes	2017	2016
Revenue:			
Dividend income		\$ 268,919	\$ 201,948
Distributions from underlying funds		235,156	144,596
Foreign exchange loss		(32,692)	(16,541)
Securities lending income	5	7,199	-
Changes in fair value of investments:			
Net realized gain		1,234,779	116,790
Net change in unrealized appreciation (depreciation)		(544,076)	1,364,887
Total revenue		1,169,285	1,811,680
Expenses:			
Management fees	4	259,634	176,030
Administration fees	4	88,297	45,224
Withholding taxes	7	12,175	10,382
Transaction costs		9,274	2,764
Other taxes		3,968	-
Independent review committee fees		792	415
Total expenses		374,140	234,815
Less expenses absorbed by the Manager		(792)	(415)
Net expenses		373,348	234,400
Increase in net assets attributable to holders of redeemable units			
		\$ 795,937	\$ 1,577,280
Increase in net assets attributable to holders of redeemable units per class:			
Class A		\$ 423,924	\$ 1,195,207
Class D		1,996	853
Class F		369,446	380,282
Class H		66	-
Class I		88	-
Class O		417	938
		\$ 795,937	\$ 1,577,280
Increase in net assets attributable to holders of redeemable units per unit:			
Class A		\$ 0.57	\$ 1.69
Class D		0.42	1.24
Class F		0.47	1.68
Class H		0.13	-
Class I		0.18	-
Class O		0.81	1.86

The accompanying notes are an integral part of these financial statements.

PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2017 and 2016

Class A	2017	2016
Balance, beginning of year	\$ 8,574,047	\$ 8,790,597
Increase in net assets attributable to holders of redeemable units	423,924	1,195,207
Unit transactions:		
Proceeds from issue of redeemable units	2,885,340	818,160
Issued on reinvestment of distributions	304,421	62,431
Amounts paid on redemption of redeemable units	(2,013,477)	(2,218,826)
	1,176,284	(1,338,235)
Distributions paid from:		
Net investment income	(31,651)	(73,522)
Realized gains on sale of investments	(314,743)	-
Return of capital	-	-
	(346,394)	(73,522)
Balance, end of year	\$ 9,827,861	\$ 8,574,047
Class D	2017	2016
Balance, beginning of year	\$ 12,663	\$ 4,809
Increase in net assets attributable to holders of redeemable units	1,996	853
Unit transactions:		
Proceeds from issue of redeemable units	88,761	7,001
Issued on reinvestment of distributions	232	149
Amounts paid on redemption of redeemable units	(83,629)	-
	5,364	7,150
Distributions paid from:		
Net investment income	(239)	(149)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(239)	(149)
Balance, end of year	\$ 19,784	\$ 12,663
Class F	2017	2016
Balance, beginning of year	\$ 3,189,808	\$ 3,077,359
Increase in net assets attributable to holders of redeemable units	369,446	380,282
Unit transactions:		
Proceeds from issue of redeemable units	10,596,959	760,367
Issued on reinvestment of distributions	217,513	34,531
Amounts paid on redemption of redeemable units	(2,526,640)	(1,012,913)
	8,287,832	(218,015)
Distributions paid from:		
Net investment income	(93,962)	(49,818)
Realized gains on sale of investments	(334,150)	-
Return of capital	-	-
	(428,112)	(49,818)
Balance, end of year	\$ 11,418,974	\$ 3,189,808

The accompanying notes are an integral part of these financial statements.

PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2017 and 2016

Class H	2017	2016
Balance, beginning of year	\$ -	\$ -
Increase in net assets attributable to holders of redeemable units	66	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	232	-
Amounts paid on redemption of redeemable units	-	-
	5,232	-
Distributions paid from:		
Net investment income	(19)	-
Realized gains on sale of investments	(213)	-
Return of capital	-	-
	(232)	-
Balance, end of year	\$ 5,066	\$ -
Class I	2017	2016
Balance, beginning of year	\$ -	\$ -
Increase in net assets attributable to holders of redeemable units	88	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	250	-
Amounts paid on redemption of redeemable units	-	-
	5,250	-
Distributions paid from:		
Net investment income	(36)	-
Realized gains on sale of investments	(214)	-
Return of capital	-	-
	(250)	-
Balance, end of year	\$ 5,088	\$ -
Class O	2017	2016
Balance, beginning of year	\$ 5,923	\$ 5,000
Increase in net assets attributable to holders of redeemable units	417	938
Unit transactions:		
Proceeds from issue of redeemable units	-	-
Issued on reinvestment of distributions	357	172
Amounts paid on redemption of redeemable units	-	(15)
	357	157
Distributions paid from:		
Net investment income	(90)	(172)
Realized gains on sale of investments	(267)	-
Return of capital	-	-
	(357)	(172)
Balance, end of year	\$ 6,340	\$ 5,923

The accompanying notes are an integral part of these financial statements.

PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash provided by (used in):		
Operating:		
Increase in net assets attributable to holders of redeemable units	\$ 795,937	\$ 1,577,280
Adjustments for:		
Dividend income	(268,920)	(201,948)
Distributions received from underlying funds	(235,156)	(144,596)
Foreign exchange loss	32,692	16,541
Net realized (gain) loss on sale of investments	(1,234,779)	(116,790)
Net change in unrealized (appreciation) depreciation of investments	544,076	(1,364,887)
Management and administration fees payable	(141)	(3,395)
Other receivables	8,904	(90)
Proceeds on disposal of investments	5,914,612	5,069,352
Amounts paid on purchase of investments	(14,645,818)	(2,908,797)
Dividends received	254,988	203,559
Distributions received from underlying funds	235,156	144,596
	(8,598,449)	2,270,825
Financing:		
Proceeds from issue of redeemable units	13,561,060	1,611,513
Payments on redemption of redeemable units	(4,623,746)	(3,241,879)
Distributions paid to unitholders	(250,299)	(26,378)
	8,687,015	(1,656,744)
Net increase in cash	88,566	614,081
Cash, beginning of year	619,051	21,511
Effect of exchange rate fluctuations on cash	(32,692)	(16,541)
Cash, end of year	\$ 674,925	\$ 619,051

The accompanying notes are an integral part of these financial statements.

PENDER STRATEGIC GROWTH AND INCOME FUND

Schedule of Investment Portfolio

December 31, 2017

	Number of shares / units	Cost	Fair value
Mutual funds:			
Pender Corporate Bond Fund Class 'O'	447,330	\$ 4,521,016	\$ 4,638,225
Pender Small Cap Opportunities Fund Class 'O'	65,015	1,470,384	1,689,414
Total mutual funds (29.7%)		5,991,400	6,327,639
Equities:			
Banks (1.9%):			
Bank of Nova Scotia	5,040	324,609	408,845
		324,609	408,845
Consumer discretionary (8.9%):			
Discovery Communications Inc. Series 'C'	12,600	395,527	334,214
Freshii Inc. Class 'A'	58,900	531,078	432,326
Liberty Broadband Corp.	3,100	335,856	330,774
Liberty Global PLC Series 'C'	10,900	465,318	462,158
Sleep Country Canada Holdings Inc.	10,000	363,250	334,000
		2,091,029	1,893,472
Consumer staples (4.6%):			
Alimentation Couche-Tard Inc. Class 'B'	8,900	524,364	583,751
Diageo PLC ADR	870	80,034	159,182
Unilever PLC ADR	3,500	200,544	242,684
		804,942	985,617
Diversified financials (14.6%):			
Acasta Enterprises Inc. Class 'B'	58,513	325,814	350,493
Berkshire Hathaway Inc. Class 'B'	2,550	468,738	633,317
Brookfield Asset Management Inc. Class 'A'	13,200	612,558	722,305
Oaktree Cap Group LLC	7,930	431,093	418,301
Onex Corp.	2,800	214,208	258,132
Starwood Property Trust Inc.	12,750	345,611	341,069
Thomson Reuters Corp. Preferred Series 'II' Floating Rate	23,000	323,125	381,800
		2,721,147	3,105,417
Energy (8.0%):			
ARC Resources Ltd.	15,500	378,365	228,625
Canadian Natural Resources Ltd.	9,010	356,306	404,729
Peyto Exploration & Development Corp.	31,200	721,723	468,936
Tourmaline Oil Corp.	10,140	384,157	230,989
Vermilion Energy Inc.	8,000	312,034	365,440
		2,152,585	1,698,719
Healthcare (2.5%):			
Allergan PLC	1,080	338,615	221,354
Roche Holding AG ADR	8,000	296,749	316,545
		635,364	537,899
Carried forward		8,729,676	8,629,969

PENDER STRATEGIC GROWTH AND INCOME FUND

Schedule of Investment Portfolio (continued)

December 31, 2017

	Number of shares / units	Cost	Fair value
Equities (continued):			
Brought forward		\$ 8,729,676	\$ 8,629,969
Industrials (1.1%):			
General Electric Co.	10,900	332,598	238,317
		332,598	238,317
Information technology (6.7%):			
Alphabet Inc. Class 'C'	350	301,780	458,880
Baidu Inc. ADR	1,300	302,181	381,490
QUALCOMM Inc.	3,170	222,294	254,278
Visa Inc. Class 'A'	2,360	73,756	337,153
		900,011	1,431,801
Insurance (3.8%):			
Power Financial Corp. Preferred Series 'P' Variable Rate Perpetual	25,000	380,126	446,500
Trisura Group Ltd.	13,764	355,461	354,561
		735,587	801,061
Materials (5.1%):			
Air Products and Chemicals Inc.	1,100	185,981	226,142
CCL Industries Inc. Class 'B'	7,400	455,120	429,792
Winpak Ltd.	9,100	449,097	425,880
		1,090,198	1,081,814
Real estate (7.3%):			
Brookfield Property Partners L.P.	8,400	239,556	233,940
Dream Office REIT	18,200	344,870	403,312
Dream Unlimited Corp. Class 'A'	69,900	461,123	542,424
The Howard Hughes Corp.	2,200	333,531	361,845
		1,379,080	1,541,521
Telecommunications services (2.5%):			
BCE Inc. Preferred Series 'AM' Perpetual	11,000	200,640	214,060
TELUS Corp.	6,770	260,241	322,387
		460,881	536,447
Total equities (67.0%)		13,628,031	14,260,930
Less transaction costs included in cost of investments		(8,335)	-
Total investments (96.7%)		\$ 19,611,096	20,588,569
Cash (3.2%)			674,925
Other assets less liabilities (0.1%)			19,619
Total net assets attributable to holders of redeemable units (100.0%)			\$ 21,283,113

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Statements of Financial Position

December 31, 2017 and 2016

	Notes	2017	2016
Assets			
Cash		\$ 224,111	\$ 65,064
Subscriptions receivable		2,875	730
Dividends receivable		8,458	10,603
Other receivable		251	-
Investments		19,418,642	18,830,064
		19,654,337	18,906,461
Liabilities			
Management and administration fees payable	4	18,433	51,550
Distributions payable to holders of redeemable units		6,888	-
		25,321	51,550
Net assets , attributable to holders of redeemable units		\$ 19,629,016	\$ 18,854,911
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 8,215,230	\$ 8,492,168
Class A (USD)		655,366	675,543
Class D		18,329	15,703
Class F		4,764,685	4,457,352
Class F (USD)		638,737	564,245
Class H		352,594	210,866
Class I		283,185	229,558
Class O		4,700,890	4,209,476
		\$ 19,629,016	\$ 18,854,911
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 12.61	\$ 11.78
Class A (USD)		12.32	11.52
Class D		9.59	9.05
Class F		12.42	11.84
Class F (USD)		12.25	11.71
Class H		9.95	9.70
Class I		9.99	9.71
Class O		10.39	10.03

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr"

Director

"J. Kelly Edmison"

Director

PENDER US ALL CAP EQUITY FUND

Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

	Notes	2017	2016
Revenue:			
Dividend income		\$ 138,101	\$ 795,038
Interest income		(1,911)	1,911
Foreign exchange gain (loss)		(37,259)	3,005
Securities lending income	5	865	-
Changes in fair value of investments:			
Net realized gain (loss)		3,223,338	(937,648)
Net change in unrealized appreciation (depreciation)		(107,871)	327,944
Total revenue		3,215,263	190,250
Expenses:			
Management fees	4	221,776	243,022
Administration fees	4	64,946	82,968
Withholding taxes (recovery)	7	(1,687)	114,063
Transaction costs		7,090	6,103
Other taxes		2,656	-
Independent review committee fees		730	679
Total expenses		295,511	446,835
Less expenses absorbed by the Manager		(730)	(679)
Net expenses		294,781	446,156
Increase (decrease) in net assets attributable to holders of redeemable units		\$ 2,920,482	\$ (255,906)
Increase (decrease) in net assets attributable to holders of redeemable units per class:			
Class A		\$ 1,235,164	\$ (184,705)
Class A (USD)		98,879	(7,702)
Class D		3,347	762
Class F		699,285	(358,284)
Class F (USD)		88,447	(16,500)
Class H		34,637	(1,601)
Class I		28,434	626
Class O		732,289	311,498
		\$ 2,920,482	\$ (255,906)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:			
Class A		\$ 1.87	\$ (0.24)
Class A (USD)		1.84	(0.13)
Class D		1.41	0.45
Class F		1.94	(0.70)
Class F (USD)		1.82	(0.27)
Class H		1.52	(0.16)
Class I		1.91	0.03
Class O		1.75	1.05

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2017 and 2016

Class A	2017	2016
Balance, beginning of year	\$ 8,492,168	\$ 10,682,880
Increase (decrease) in net assets attributable to holders of redeemable units	1,235,164	(184,705)
Unit transactions:		
Proceeds from issue of redeemable units	349,345	413,971
Issued on reinvestment of distributions	587,722	99,035
Amounts paid on redemption of redeemable units	(1,858,757)	(2,419,090)
	(921,690)	(1,906,084)
Distributions paid from:		
Net investment income	(3,942)	(99,923)
Realized gains on sale of investments	(586,470)	-
Return of capital	-	-
	(590,412)	(99,923)
Balance, end of year	\$ 8,215,230	\$ 8,492,168
Class A (USD)	2017	2016
Balance, beginning of year	\$ 675,543	\$ 727,472
Increase (decrease) in net assets attributable holders of redeemable units	98,879	(7,702)
Unit transactions:		
Proceeds from issue of redeemable units	38,118	74,577
Issued on reinvestment of distributions	34,836	6,693
Amounts paid on redemption of redeemable units	(143,705)	(116,253)
	(70,751)	(34,983)
Distributions paid from:		
Net investment income	(231)	(9,244)
Realized gains on sale of investments	(48,074)	-
Return of capital	-	-
	(48,305)	(9,244)
Balance, end of year	\$ 655,366	\$ 675,543
Class D	2017	2016
Balance, beginning of year	\$ 15,703	\$ 5,008
Increase in net assets attributable holders of redeemable units	3,347	762
Unit transactions:		
Proceeds from issue of redeemable units	16,400	9,933
Issued on reinvestment of distributions	1,711	350
Amounts paid on redemption of redeemable units	(16,968)	-
	1,143	10,283
Distributions paid from:		
Net investment income	(279)	(350)
Realized gains on sale of investments	(1,585)	-
Return of capital	-	-
	(1,864)	(350)
Balance, end of year	\$ 18,329	\$ 15,703

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2017 and 2016

Class F	2017	2016
Balance, beginning of year	\$ 4,457,352	\$ 9,473,413
Increase (decrease) in net assets attributable holders of redeemable units	699,285	(358,284)
Unit transactions:		
Proceeds from issue of redeemable units	256,259	260,515
Issued on reinvestment of distributions	463,264	81,993
Amounts paid on redemption of redeemable units	(637,767)	(4,916,307)
	81,756	(4,573,799)
Distributions paid from:		
Net investment income	(6,694)	(83,978)
Realized gains on sale of investments	(467,014)	-
Return of capital	-	-
	(473,708)	(83,978)
Balance, end of year	\$ 4,764,685	\$ 4,457,352
Class F (USD)	2017	2016
Balance, beginning of year	\$ 564,245	\$ 905,514
Increase (decrease) in net assets attributable holders of redeemable units	88,447	(16,500)
Unit transactions:		
Proceeds from issue of redeemable units	111,003	160,257
Issued on reinvestment of distributions	64,676	11,133
Amounts paid on redemption of redeemable units	(123,657)	(485,026)
	52,022	(313,636)
Distributions paid from:		
Net investment income	(1,868)	(11,133)
Realized gains on sale of investments	(64,109)	-
Return of capital	-	-
	(65,977)	(11,133)
Balance, end of year	\$ 638,737	\$ 564,245
Class H	2017	2016
Balance, beginning of year	\$ 210,866	\$ 102,543
Increase (decrease) in net assets attributable holders of redeemable units	34,637	(1,601)
Unit transactions:		
Proceeds from issue of redeemable units	107,864	114,778
Issued on reinvestment of distributions	40,222	5,784
Amounts paid on redemption of redeemable units	-	(4,854)
	148,086	115,708
Distributions paid from:		
Net investment income	(1,444)	(5,784)
Realized gains on sale of investments	(39,551)	-
Return of capital	-	-
	(40,995)	(5,784)
Balance, end of year	\$ 352,594	\$ 210,866

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2017 and 2016

Class I	2017	2016
Balance, beginning of year	\$ 229,558	\$ 233,869
Increase (decrease) in net assets attributable holders of redeemable units	28,434	626
Unit transactions:		
Proceeds from issue of redeemable units	135,854	-
Issued on reinvestment of distributions	33,855	5,827
Amounts paid on redemption of redeemable units	(110,662)	(4,937)
	59,047	890
Distributions paid from:		
Net investment income	(718)	(5,827)
Realized gains on sale of investments	(33,136)	-
Return of capital	-	-
	(33,854)	(5,827)
Balance, end of year	\$ 283,185	\$ 229,558
Class O	2017	2016
Balance, beginning of year	\$ 4,209,476	\$ 1,154,222
Increase (decrease) in net assets attributable holders of redeemable units	732,289	311,498
Unit transactions:		
Proceeds from issue of redeemable units	-	2,768,379
Issued on reinvestment of distributions	564,178	154,847
Amounts paid on redemption of redeemable units	(240,875)	(24,623)
	323,303	2,898,603
Distributions paid from:		
Net investment income	(30,700)	(154,847)
Realized gains on sale of investments	(533,478)	-
Return of capital	-	-
	(564,178)	(154,847)
Balance, end of year	\$ 4,700,890	\$ 4,209,476

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holder of redeemable units	\$ 2,920,482	\$ (255,906)
Adjustments for:		
Dividend income	(138,101)	(795,038)
Interest income	(1,911)	(1,911)
Foreign exchange (gain) loss	37,259	(3,005)
Net realized (gain) loss on sale of investments	(3,223,338)	937,648
Net change in unrealized (appreciation) depreciation of investments	107,871	(327,944)
Other receivable	(251)	-
Management and administration fees payable	(33,116)	12,906
Proceeds on disposal of investments	10,012,451	7,362,156
Amounts paid on purchase of investments	(7,485,560)	(3,889,080)
Dividends received	140,246	788,306
Interest received	1,911	1,911
	<u>2,337,943</u>	<u>3,830,043</u>
Financing:		
Proceeds from issue of redeemable units	704,502	3,813,731
Payments on redemptions of redeemable units	(2,824,196)	(7,979,577)
Distributions paid to unitholders	(21,943)	(5,424)
	<u>(2,141,637)</u>	<u>(4,171,270)</u>
Net increase (decrease) in cash	196,306	(341,227)
Cash, beginning of year	65,064	403,286
Effect of exchange rate fluctuations on cash	(37,259)	3,005
Cash, end of year	<u>\$ 224,111</u>	<u>\$ 65,064</u>

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Schedule of Investment Portfolio

December 31, 2017

	Number of shares / units	Cost	Fair value
Equities:			
Consumer discretionary (24.8%):			
Discovery Communications, Inc.	27,600	\$ 560,034	\$ 732,994
Liberty Global plc	25,000	955,621	1,061,307
LiLAC Group	56,348	1,767,886	1,424,375
TripAdvisor, Inc.	38,200	1,729,863	1,651,389
		5,013,404	4,870,065
Diversified financials (15.9%):			
Brookfield Asset Management Inc.	20,494	543,756	1,121,432
FRMO Corporation	54,048	305,444	820,419
Onex Corporation	12,500	678,824	1,152,375
		1,528,024	3,094,226
Energy (2.8%):			
Energy XXI Gulf Coast, Inc.	77,401	652,433	557,351
		652,433	557,351
Industrials (11.6%):			
Colfax Corporation	39,560	1,999,402	1,966,262
Navios Maritime Holdings Inc.	207,500	889,283	312,371
		2,888,685	2,278,633
Information technology (15.3%):			
Baidu, Inc.	5,400	1,257,072	1,586,609
Syntel, Inc.	49,000	1,927,849	1,413,207
		3,184,921	2,999,816
Insurance (5.6%):			
Markel Corporation	773	441,048	1,104,646
		441,048	1,104,646
Materials (12.7%):			
Platform Specialty Products Corporation	131,500	2,499,435	1,636,470
POSCO	8,650	625,338	847,822
		3,124,773	2,484,292
Real estate (10.3%):			
Kennedy-Wilson Holdings, Inc.	41,800	1,201,985	909,801
The Howard Hughes Corporation	6,800	1,005,205	1,119,812
		2,207,190	2,029,613
Less: transaction costs included in cost of investments		(8,765)	-
Total investments (99.0%)		\$ 19,031,713	\$ 19,418,642
Cash (1.1%)			\$ 224,111
Other assets less liabilities (-0.1%)			(13,737)
Total net assets attributable to holders of redeemable units (100.0%)			\$ 19,629,016

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND

Statements of Financial Position

December 31, 2017 and 2016

	Notes	2017	2016
Assets			
Cash		\$ 73,427,452	\$ 13,150,796
Subscriptions receivable		407,619	894,068
Receivable for investments sold		-	514,017
Interest receivable		102,481	34,793
Dividends receivable		84,153	23,538
Other receivable		5,626	-
Investments		183,023,444	122,737,691
		257,050,775	137,354,903
Liabilities			
Management and administration fees payable	4	310,124	212,186
Distributions payable to holders of redeemable units		13,022	-
Redemptions payable to holders of redeemable units		268,687	-
		591,833	212,186
Net assets , attributable to holders of redeemable units		\$ 256,458,942	\$ 137,142,717
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 57,012,606	\$ 37,723,509
Class D		3,167,875	546,349
Class F		122,313,181	58,224,157
Class H		12,187,255	8,894,682
Class I		48,805,007	21,731,944
Class O		12,973,018	10,022,076
		\$ 256,458,942	\$ 137,142,717
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 18.49	\$ 17.80
Class D		11.02	10.59
Class F		18.52	17.88
Class H		13.39	12.95
Class I		13.59	13.10
Class O		15.38	14.96

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr" Director

"J. Kelly Edmison" Director

PENDER VALUE FUND

Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

	Notes	2017	2016
Revenue:			
Dividend income		\$ 1,121,593	\$ 2,631,654
Interest income		439,033	88,206
Foreign exchange gain (loss)		199,040	(220,741)
Securities lending income	5	13,662	-
Changes in fair value of investments:			
Net realized gain (loss)		17,444,767	4,737,519
Net change in unrealized appreciation (depreciation)		(4,414,585)	15,841,665
Total revenue		14,803,510	23,078,303
Expenses:			
Management fees	4	2,481,492	1,321,921
Administration fees	4	867,272	527,731
Withholding taxes	7	87,286	343,246
Transaction costs		135,555	69,740
Interest expense		274	-
Other taxes		49,569	-
Independent review committee fees		9,539	4,799
Total expenses		3,630,987	2,267,437
Less expenses absorbed by the Manager		(9,539)	(4,799)
Net expenses		3,621,448	2,262,638
Increase in net assets attributable to holders of redeemable units			
		\$ 11,182,062	\$ 20,815,665
Increase in net assets attributable to holders of redeemable units per class:			
Class A		\$ 2,588,023	\$ 5,379,278
Class D		51,145	80,808
Class F		4,968,101	8,811,071
Class H		569,458	1,455,223
Class I		2,040,837	3,279,601
Class O		964,498	1,809,684
		\$ 11,182,062	\$ 20,815,665
Increase in net assets attributable to holders of redeemable units per unit:			
Class A		\$ 0.98	\$ 2.62
Class D		0.23	2.01
Class F		0.96	2.91
Class H		0.76	2.31
Class I		0.70	2.41
Class O		1.33	3.29

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2017 and 2016

Class A	2017	2016
Balance, beginning of year	\$ 37,723,509	\$ 34,599,864
Increase in net assets attributable to holders of redeemable units	2,588,023	5,379,278
Unit transactions:		
Proceeds from issue of redeemable units	30,330,621	8,996,774
Issued on reinvestment of distributions	1,595,712	554,256
Amounts paid on redemption of redeemable units	(13,509,752)	(11,214,124)
	18,416,581	(1,663,094)
Distributions paid from:		
Net investment income	(4,236)	(4,165)
Realized gains on sale of investments	(1,711,271)	(588,374)
Return of capital	-	-
	(1,715,507)	(592,539)
Balance, end of year	\$ 57,012,606	\$ 37,723,509
Class D	2017	2016
Balance, beginning of year	\$ 546,349	\$ 235,669
Increase in net assets attributable to holders of redeemable units	51,145	80,808
Unit transactions:		
Proceeds from issue of redeemable units	3,397,272	267,066
Issued on reinvestment of distributions	113,386	14,028
Amounts paid on redemption of redeemable units	(825,233)	(37,194)
	2,685,425	243,900
Distributions paid from:		
Net investment income	(1,788)	(2,988)
Realized gains on sale of investments	(113,256)	(11,040)
Return of capital	-	-
	(115,044)	(14,028)
Balance, end of year	\$ 3,167,875	\$ 546,349
Class F	2017	2016
Balance, beginning of year	\$ 58,224,157	\$ 49,180,127
Increase in net assets attributable to holders of redeemable units	4,968,101	8,811,071
Unit transactions:		
Proceeds from issue of redeemable units	88,184,903	18,963,742
Issued on reinvestment of distributions	3,916,518	1,344,536
Amounts paid on redemption of redeemable units	(27,854,668)	(18,432,473)
	64,246,753	1,875,805
Distributions paid from:		
Net investment income	(13,250)	(346,036)
Realized gains on sale of investments	(5,112,580)	(1,296,810)
Return of capital	-	-
	(5,125,830)	(1,642,846)
Balance, end of year	\$ 122,313,181	\$ 58,224,157

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2017 and 2016

Class H	2017	2016
Balance, beginning of year	\$ 8,894,682	\$ 5,551,347
Increase in net assets attributable to holders of redeemable units	569,458	1,455,223
Unit transactions:		
Proceeds from issue of redeemable units	6,011,017	2,427,491
Issued on reinvestment of distributions	431,554	205,568
Amounts paid on redemption of redeemable units	(3,268,410)	(539,379)
	3,174,161	2,093,680
Distributions paid from:		
Net investment income	(945)	(3,736)
Realized gains on sale of investments	(450,101)	(201,832)
Return of capital	-	-
	(451,046)	(205,568)
Balance, end of year	\$ 12,187,255	\$ 8,894,682
Class I	2017	2016
Balance, beginning of year	\$ 21,731,944	\$ 13,245,143
Increase in net assets attributable to holders of redeemable units	2,040,837	3,279,601
Unit transactions:		
Proceeds from issue of redeemable units	33,189,186	7,705,512
Issued on reinvestment of distributions	1,627,129	605,931
Amounts paid on redemption of redeemable units	(7,752,012)	(2,407,724)
	27,064,303	5,903,719
Distributions paid from:		
Net investment income	(5,197)	(195,947)
Realized gains on sale of investments	(2,026,880)	(500,572)
Return of capital	-	-
	(2,032,077)	(696,519)
Balance, end of year	\$ 48,805,007	\$ 21,731,944
Class O	2017	2016
Balance, beginning of year	\$ 10,022,076	\$ 4,595,517
Increase in net assets attributable to holders of redeemable units	964,498	1,809,684
Unit transactions:		
Proceeds from issue of redeemable units	2,354,691	3,768,661
Issued on reinvestment of distributions	588,096	276,985
Amounts paid on redemption of redeemable units	(157,892)	(18,106)
	2,784,895	4,027,540
Distributions paid from:		
Net investment income	-	(180,990)
Realized gains on sale of investments	(798,451)	(229,675)
Return of capital	-	-
	(798,451)	(410,665)
Balance, end of year	\$ 12,973,018	\$ 10,022,076

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash provided by (used in):		
Operating:		
Increase in net assets attributable to holders of redeemable units	\$ 11,182,062	\$ 20,815,665
Adjustments for:		
Dividend income	(1,121,593)	(2,631,654)
Interest income	(439,033)	(88,206)
Foreign exchange (gain) loss	(199,040)	220,741
Change in unrealized (appreciation) depreciation of investments	4,414,585	(15,841,665)
Net realized (gain) on sale of investments	(17,444,767)	(4,737,519)
Management and administration fees payable	93,783	46,463
Other receivable	(5,626)	-
Proceeds on disposal of investments	79,694,747	29,940,875
Amounts paid on purchase of investments	(126,436,301)	(40,597,774)
Dividends received	1,065,133	2,690,777
Interest received	371,345	53,413
	(48,824,705)	(10,128,884)
Financing:		
Proceeds from issue of redeemable units	163,954,139	41,389,153
Payments on redemptions of redeemable units	(53,099,280)	(32,713,315)
Distributions paid to unitholders	(1,952,538)	(560,861)
	108,902,321	8,114,944
Net increase (decrease) in cash	60,077,616	(2,013,907)
Cash, beginning of year	13,150,796	15,385,444
Effect of exchange rate fluctuations on cash	199,040	(220,741)
Cash, end of year	\$ 73,427,452	\$ 13,150,796

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND

Schedule of Investment Portfolio

December 31, 2017

	Number of shares	Cost	Fair value
Equities:			
Consumer discretionary (16.1%):			
Chipotle Mexican Grill Inc., Class 'A'	14,600	\$ 5,265,268	\$ 5,287,246
Discovery Communications Inc., Series 'C'	170,400	4,338,426	4,519,852
Liberty Broadband Corp.	50,200	4,310,743	5,356,401
Liberty Global PLC LiLAC., Class 'A'	240,512	7,583,361	6,072,193
Proto Corp.	166,500	3,315,923	2,996,369
TripAdvisor Inc.	256,500	12,100,642	11,074,814
Wynn Resorts Ltd.	28,900	2,478,883	6,104,687
		39,393,246	41,411,562
Energy (2.2%):			
Energy XXI Gulf Coast Inc.	792,699	7,124,548	5,701,038
		7,124,548	5,701,038
Healthcare (1.0%):			
Medicare Inc.	330,000	1,770,340	2,458,500
		1,770,340	2,458,500
Industrials (6.7%):			
Colfax Corp.	202,900	10,548,891	10,072,337
Key Technology Inc.	216,488	2,438,157	4,999,112
Navios Maritime Holdings Inc.	1,353,462	3,875,114	2,034,984
		16,862,162	17,106,433
Information technology (26.8%):			
Absolute Software Corp.	300,600	2,132,894	2,068,128
Asure Software Inc.	184,552	2,830,468	3,265,030
Avigilon Corp.	308,238	4,337,691	6,500,739
Baidu Inc ADR	50,134	13,387,103	14,711,995
BSM Technologies Inc.	3,679,420	3,457,227	5,187,982
Carbonite Inc.	100	2,311	3,145
Ebix Inc.	43,886	934,907	4,357,717
Espial Group Inc.	1,997,829	4,466,177	4,015,636
LivePerson Inc.	145,047	2,098,440	2,089,971
Mattersight Corp.	1,195,979	4,351,584	3,821,180
Model N Inc.	139,843	2,321,830	2,759,657
Photon Control Inc.	2,291,200	757,830	4,192,896
ProntoForms Corp.	10,945,400	3,921,347	3,830,890
Redline Communications Group Inc.	961,785	2,435,132	1,529,238
SeaChange International Inc.	764,793	2,584,150	3,765,912
Sierra Wireless Inc.	25,920	599,219	666,144
Syntel Inc.	160,364	5,047,572	4,619,336
Upland Software Inc.	51,195	1,385,355	1,389,376
		57,051,237	68,774,972
Materials (4.6%):			
Platform Specialty Products Corp.	535,400	8,008,288	6,654,628
POSCO ADR	53,600	3,850,222	5,247,064
		11,858,510	11,901,692
Carried forward		134,060,043	147,354,197

PENDER VALUE FUND

Schedule of Investment Portfolio (continued)

December 31, 2017

	Coupon rate / exercise price	Maturity / expiry date	Number of shares / face value	Cost	Fair value
Equities (continued):					
Brought forward				\$ 134,060,043	\$ 147,354,197
Real estate (7.1%):					
Kennedy-Wilson Holdings, Inc.			415,156	11,458,140	9,024,944
The Howard Hughes Corporation			56,490	8,069,106	9,291,178
				19,527,246	18,316,122
Telecommunications (.9%):					
TeraGo Inc.			522,400	2,723,874	2,293,336
				2,723,874	2,293,336
Utilities (0.26%):					
Maxim Power Corp.			240,300	678,294	660,825
				678,294	660,825
Total equities (65.8%)				156,989,457	168,624,480
Corporate bonds:					
Corporate bonds (3.2%):					
Commonwealth of Puerto Rico	8.00%	2035/07/01	7,300,000	2,497,651	2,136,631
FXCM Inc., Convertible	2.25%	2018/06/15	4,350,000	3,111,953	2,398,146
Just Energy Group Inc.	6.50%	2019/07/29	3,000,000	3,813,274	3,693,070
Total corporate bonds (3.2%)				9,422,878	8,227,847
Warrants:					
Warrants (2.4%):					
American International Group, Inc.	\$ 45.00	2021/01/19	271,814	7,009,867	6,171,117
Energy Fuels Inc.	3.20	2019/03/14	15,950	-	-
Patient Home Monitoring Corp.	1.80	2018/05/04	485,600	-	-
ProntoForms Corp.	0.48	2019/06/21	3,284,000	-	-
Total warrants (2.4%)				7,009,867	6,171,117
Less: Transaction costs included in cost of investments				(140,707)	-
Total investment portfolio (71.4%)				\$ 173,281,495	183,023,444
Cash (28.6%)					73,427,452
Other assets less liabilities (0.0%)					8,046
Total net assets attributable to holders of redeemable units (100.0%)					\$ 256,458,942

The accompanying notes are an integral part of these financial statements.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

1. The Funds:

The Pender Mutual Funds (individually a “Fund” and collectively the “Funds”) consist of:

- 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; and
- Pender Value Fund.

The Pender Corporate Bond Fund and the Pender Small Cap Opportunities Fund were formed on May 26, 2009. The Pender Canadian Opportunities Fund and Pender Strategic Growth and Income Fund were formed on October 18, 2010. The Pender US All Cap Equity Fund and Pender Value Fund were formed on June 27, 2013. On April 28, 2017 the Pender Small Cap Equity Fund was merged into the Pender Small Cap Opportunities Fund; the two funds had the same investment objectives and substantially similar investment strategies (see Note 4). Each of the Funds is an open-end investment trust governed under the laws of British Columbia pursuant to the Ninth Amended and Restated Mutual Fund Trust Agreement originally dated April 14, 2009 and most recently amended on April 27, 2017.

The Funds invest primarily in a diversified portfolio of equity securities issued by companies listed on major North American stock exchanges, investment funds, fixed and variable income securities, and derivatives, with the objective of providing shareholders with above-average returns over the long-term.

The address of the Funds’ registered office is 1640 - 1066 West Hastings Street, Vancouver, BC, V6E 3X1. The Manager of the Funds is PenderFund Capital Management Ltd. (the “Manager”).

2. Basis of preparation:

(a) Statement of compliance:

The financial statements of the Funds have been prepared in compliance with International Financial Reporting Standards (“IFRS”). These financial statements were authorized for issue by the Manager on March 28, 2018.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments, investments sold short and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, the Funds’ functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

2. Basis of preparation (continued):

(d) Use of estimates and judgment (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

The Funds may hold financial instruments that are not quoted in an active market, including derivatives.

The determination of the fair value of these investments is the area with the Manager's most significant accounting judgements and estimates in preparing these financial statements.

(e) Comparative information:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: held-for-trading ("HFT"), designated at fair value through profit or loss upon initial recognition ("FVTPL"), available-for-sale, loans and receivables, assets held-to-maturity, and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as HFT or FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities HFT or at FVTPL are recognized initially on the trade date, which is the date on which the Funds become a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

The Funds derecognize a financial liability when its contractual obligations are discharged, cancelled or expire.

The Funds have not classified any of its financial instruments as available-for-sale or assets held-to-maturity.

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position only when the Funds have a legal right to offset the amounts and intend to settle on a net basis or to realize the net asset and settle the net liability simultaneously.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(ii) HFT and FVTPL:

Financial instruments classified as HFT or FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the Statements of Comprehensive Income in the period in which they occur. The Funds' derivatives are classified as HFT. The Funds' investments and investments sold short are designated as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Funds use the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Funds' policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including more complex derivative instruments, are determined using valuation techniques. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of loans and receivables is at amortized cost, less any impairment losses. The Funds classify all assets, other than investments and derivatives, as loans and receivables.

(iv) Other financial liabilities:

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost. The Funds classify all liabilities, other than investments sold short and derivatives, as other financial liabilities.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

3. Significant accounting policies (continued):

(b) Redeemable units:

The Funds classify financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units, which are classified as financial liabilities and measured at the redemption amount, provide unitholders with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Funds' valuation policies at each redemption date.

(c) Per unit amounts:

Net assets attributable to holders of redeemable units is calculated based on the number of units outstanding at the end of the year. The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the year.

(d) Securities lending transactions:

The Funds are permitted to enter into securities lending transactions as set out in the Funds' Simplified Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date.

Securities lending transactions are administered by Canadian Imperial Bank of Commerce and The Bank of New York Mellon (collectively the "Securities Lending Agent"). The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in the Statement of Comprehensive Income as Securities lending income and recognized when earned.

Note 5 summarizes the details of securities loaned and collateral received, as well as a reconciliation of gross securities lending income to securities lending income earned by the Funds.

(e) Foreign exchange:

The financial statements of the Funds are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the Statements of Comprehensive Income.

(f) Income recognition:

Interest income shown on the Statements of Comprehensive Income is recognized on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

3. Significant accounting policies (continued):

(g) Income taxes:

The Funds qualify as unit trusts under the *Income Tax Act* (Canada). All of the Funds' net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Funds. As a result, the Funds do not record income taxes.

(h) Standards and amendments to existing standards effective January 1, 2017:

IAS 7, *Statement of Cash Flows*, requires disclosures related to changes in liabilities arising from financing activities for annual periods beginning on or after January 1, 2017. Units issued by the Funds are classified as liabilities in accordance with IAS 32 and for the purposes of the IAS 7 disclosures. A reconciliation between the opening and closing balance of the units of each Fund is presented in the statements of changes in net assets attributable to holders of redeemable units for the years ended December 31, 2017 and 2016, including changes from cash flows and non-cash changes.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2017 that have a material effect on the financial statements of the Funds.

(i) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the periods ended December 31, 2017, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statement of the Funds, with the possible exception of IFRS 9, *Financial Instruments* (IFRS 9).

The IASB issued the final version of IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Funds plan to adopt the new standard on the required effective date. The Funds have performed a high-level impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Funds in the future. Overall, the standard is not expected to have a material impact on the measurement basis of the financial assets held by the Funds since the majority of the financial assets are measured at fair value through profit or loss. No impact on the net assets attributable to holders of redeemable units is expected from the adoption of IFRS 9.

Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). Consideration of the entity's business model and the contractual cash flows associated with the financial instrument is required under IFRS 9 to determine the classification and measurement categories. The Funds have performed a high-level assessment of the business model and contractual cash flows and do not expect a significant impact on the Funds' financial position from applying the classification and measurement requirements of IFRS 9.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

3. Significant accounting policies (continued):

(i) New standards and interpretations not yet adopted (continued):

The Funds expect to continue measuring at FVTPL all financial assets currently held at fair value. Debt securities are expected to be measured at FVTPL under IFRS 9 as the Funds do not expect to hold the assets to collect contractual cash flows based on their business model.

Trade and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Funds expect that these will continue to be measured at amortized cost under IFRS 9. However, the Funds will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortized cost measurement under IFRS 9.

Given the limited exposure of the Funds to credit risk, the impairment standard will not have a significant impact on the financial statements. The Funds have not applied hedge accounting under IAS 39 and will not apply hedge accounting under IFRS 9. Therefore, no impact is expected from the adoption of IFRS 9.

4. Related party transactions:

Each Fund pays a management fee to the Manager for the management of the Funds. The management fee is calculated as an annualized percentage of the net asset value ("NAV") of each class. The annual management fee percentages of each class as at December 31, 2017 and 2016 are as follows:

2017	Class A / Class A (USD)	Class D	Class F / Class F (USD)	Class H	Class I	Class N
Canadian Opportunities Fund	1.85%	1.10%	0.85%	1.55%	0.70%	-
Corporate Bond Fund	1.45%	0.90%	0.65%	1.15%	0.50%	-
Small Cap Opportunities Fund	2.00%	-	1.00%	-	0.85%	0.50%
Strategic Growth & Income Fund	1.75%	1.00%	0.75%	1.45%	0.60%	-
US All Cap Equity Fund	1.85%	1.10%	0.85%	1.55%	0.70%	-
Value Fund	1.90%	1.15%	0.90%	1.60%	0.75%	-

2016	Class A / Class A (USD)	Class D	Class F / Class F (USD)	Class H	Class I	Class N
Canadian Opportunities Fund	1.85%	1.10%	0.85%	1.55%	0.70%	-
Corporate Bond Fund	1.45%	0.90%	0.65%	1.15%	0.50%	-
Small Cap Opportunities Fund	2.00%	-	1.00%	-	-	-
Strategic Growth and Income Fund	1.75%	1.00%	0.75%	-	-	-
US All Cap Equity Fund	1.85%	1.10%	0.85%	1.55%	0.70%	-
Value Fund	1.90%	1.15%	0.90%	1.60%	0.75%	-

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

4. Related party transactions (continued):

Each Fund also pays the Manager an administration fee equal to 0.50% of NAV. In exchange for the fee, the Manager pays for the operating costs of each Fund (including GST/HST, registrar and transfer agency fees, custody fees, unitholder servicing costs, costs of prospectus and reports, regulatory fees, audit and legal fees, and other administrative and operating expenses) other than Independent Review Committee (“IRC”) fees and portfolio-related expenses such as interest, withholding taxes, and transaction costs.

The Manager, at its discretion, may reduce or waive management or administration fees and reimburse the Funds for any expenses. The management and administration fees for Class O units are negotiable and paid directly by the investors and not by the Funds.

The Manager has agreed to cap the management fees, administration fees and other expenses charged to each class so that the management expense ratio (“MER”) as at December 31, 2017 and 2016, being expressed as a percentage of average NAV, does not exceed the following rates:

2017	Class A / Class A (USD)	Class D	Class F / Class F (USD)	Class H	Class I	Class N
Canadian Opportunities Fund	2.35%	1.60%	1.35%	2.05%	1.20%	-
Corporate Bond Fund	1.95%	1.40%	1.15%	1.65%	1.00%	-
Small Cap Opportunities Fund	2.50%	-	1.50%	-	1.35%	1.00%
Strategic Growth & Income Fund	2.25%	1.50%	1.25%	1.95%	1.10%	-
US All Cap Equity Fund	2.35%	1.60%	1.35%	2.05%	1.20%	-
Value Fund	2.40%	1.65%	1.40%	2.10%	1.25%	-

2016	Class A / Class A (USD)	Class D	Class F / Class F (USD)	Class H	Class I	Class N
Canadian Opportunities Fund	2.35%	1.60%	1.35%	2.05%	1.20%	-
Corporate Bond Fund	1.95%	1.40%	1.15%	1.65%	1.00%	-
Small Cap Opportunities Fund	2.50%	-	1.50%	-	-	-
Strategic Growth and Income Fund	2.25%	1.50%	1.25%	-	-	-
US All Cap Equity Fund	2.35%	1.60%	1.35%	2.05%	1.20%	-
Value Fund	2.40%	1.65%	1.40%	2.10%	1.25%	-

As at December 31, 2017 and 2016, parties related to the Manager directly or indirectly held the following percentages of each Fund’s outstanding units. Subscriptions and redemptions are subject to the same terms and conditions as arm’s length investors in the Funds.

	2017	2016
Canadian Opportunities Fund	8%	9%
Corporate Bond Fund	1%	-
Small Cap Opportunities Fund	1%	1%
Strategic Growth and Income Fund	2%	1%
US All Cap Equity Fund	10%	4%
Value Fund	1%	1%

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

4. Related party transactions (continued):

As at December 31, 2017 and 2016, the aggregate investment in all investee companies owned by the Manager's directors and officers did not exceed 1% of the respective investee companies' issued and outstanding shares.

As at December 31, 2017 and 2016, the Funds had the following amounts payable to the Manager relating to management fees, administration fees and other expenses incurred by the Manager on behalf of the Funds:

	2017	2016
Canadian Opportunities Fund	\$ 7,470	\$ 5,846
Corporate Bond Fund	192,984	132,750
Small Cap Opportunities Fund	207,438	237,613
Strategic Growth and Income Fund	28,955	20,051
US All Cap Equity Fund	18,433	51,550
Value Fund	310,124	212,186

Included in other receivables for the Pender Corporate Bond Fund at December 31, 2016 is an amount of \$900,000 receivable from the Manager in connection with a reimbursement for certain transactions undertaken by the Fund. This amount was settled in full during the year ended December 31, 2017.

From time to time the Manager may reduce the effective management fee payable by some unitholders by reducing the management fee it charges to the Funds, and directing the Funds to make distributions to these unitholders in amounts equal to the management fee reduction.

On April 28, 2017, the Pender Small Cap Equity Fund was merged into the Pender Small Cap Opportunities Fund; the two funds were both managed by the Manager and had the same investment objectives and substantially similar investment strategies. The merger resulted in an increase of \$33,378,399 in net assets attributable to unitholders of the continuing fund, Pender Small Cap Opportunities Fund:

Cash	\$ 10,219,104
Investments	23,417,208
Other net liabilities	(257,913)
	\$ 33,378,399

	Units issued	Amount
Class I	316,169	\$ 4,153,573
Class N	2,384,583	28,962,666
Class O	9,592	262,160
	2,710,344	\$ 33,378,399

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

5. Securities lending transactions:

The value of securities loaned and collateral received from securities lending as at December 31, 2017 was as follows:

	Securities loaned	Collateral received
Canadian Opportunities Fund	\$ 857,442	\$ 900,722
Corporate Bond Fund	1,911,622	2,007,976
Small Cap Opportunities Fund	13,365,793	14,041,676
Strategic Growth and Income Fund	1,200,602	1,262,658
US All Cap Equity Fund	2,863,927	3,009,676
Value Fund	28,071,948	29,913,500

Collateral received may be comprised of debt obligations of the Government of Canada and other countries, Canadian provincial or territorial governments, governments of states of the United States of America, and evidence of indebtedness of financial institutions whose short term debt is rated A-1 or R-1 or equivalent by a recognized, widely followed North American credit rating agency.

A reconciliation of the gross amount generated from securities lending transactions to the securities lending income earned by the Funds for the year ended December 31, 2017 is included in the following table. No securities lending income was earned by the Funds for the year ended December 31, 2016.

	Gross income	Agent fees	Withholding taxes	Net income
Canadian Opportunities Fund	\$ 8,303	\$ (3,321)	\$ -	\$ 4,982
Corporate Bond Fund	2,216	(873)	(32)	1,311
Small Cap Opportunities Fund	59,530	(23,705)	(262)	35,563
Strategic Growth and Income Fund	11,998	(4,799)	-	7,199
US All Cap Equity Fund	1,441	(576)	-	865
Value Fund	23,316	(9,107)	(547)	13,662

All agent fees were paid to the Securities Lending Agent (see note 3(d)) and represented 40% of the gross securities lending income by the Funds.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

6. Net gain (loss) from financial instruments classified as HFT and FVTPL:

The following table shows the change in fair value of financial instruments for the years ended December 31, 2017 and 2016 for the Corporate Bond Fund, which holds instruments classified both as HFT and FVTPL. All other Funds hold only instruments designated as FVTPL.

	2017	2016
Corporate Bond Fund:		
Net change in unrealized appreciation (depreciation) from:		
Instruments classified as HFT	\$ 3,399,720	\$ 2,624,120
Instruments designated as FVTPL	(9,105,539)	12,726,721
	(5,705,819)	15,350,841
Net realized gain (loss) from:		
Instruments classified as HFT	3,225,649	(2,974,071)
Instruments designated as FVTPL	7,577,224	3,159,830
	10,802,873	185,759
	\$ 5,097,054	\$ 15,536,600

7. Withholding tax expense:

Certain dividend and interest income received by the Funds are subject to withholding tax imposed on the country of origin. During the year, withholding tax rates were between 0% and 35% (2016 - between 0% and 35%).

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

8. Redeemable units:

The Funds are authorized to issue an unlimited number of redeemable units in an unlimited number of classes. The Funds currently offer the classes indicated in the table below. The redeemable unit transactions for the Funds during the years ended December 31, 2017 and 2016 were as follows:

2017	Outstanding units, beginning of year	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of year
Canadian Opportunities Fund:					
Class A	112,086	33,623	3,758	(37,926)	111,541
Class D	3,490	8,681	130	(4,976)	7,325
Class F	269,143	368,646	21,481	(128,205)	531,065
Class H	500	-	27	-	527
Class I	500	36,807	397	(17,777)	19,927
Class O	49,509	-	13	(24,116)	25,406
Corporate Bond Fund:					
Class A	3,362,129	957,523	66,834	(1,180,083)	3,206,403
Class A (USD)	112,029	38,871	1,942	(51,593)	101,249
Class D	4,562	15,327	421	(3,608)	16,702
Class F	3,044,053	4,096,902	96,984	(1,504,445)	5,733,494
Class F (USD)	78,583	953,638	15,002	(40,798)	1,006,425
Class H	1,198,204	731,278	35,561	(141,680)	1,823,363
Class I	1,639,624	2,839,681	58,751	(411,029)	4,127,027
Class O	783,439	465,145	49,800	(107,373)	1,191,011
Small Cap Opportunities Fund:					
Class A	1,824,936	434	68,002	(278,327)	1,615,045
Class F	3,237,397	433,089	190,987	(195,757)	3,665,716
Class I	-	446,855	25,027	(44,491)	427,391
Class N	-	3,729,204	183,950	(738,175)	3,174,979
Class O	220,062	35,127	18,204	(7,538)	265,855
Strategic Growth and Income Fund:					
Class A	671,653	219,517	23,522	(152,523)	762,169
Class D	1,193	8,144	21	(7,582)	1,776
Class F	249,399	801,088	16,628	(190,440)	876,675
Class H	-	500	24	-	524
Class I	-	500	26	-	526
Class O	515	-	31	-	546
US All Cap Equity Fund:					
Class A	720,635	26,401	45,617	(140,918)	651,735
Class A (USD)	58,619	2,886	2,767	(11,077)	53,195
Class D	1,735	1,631	176	(1,631)	1,911
Class F	376,605	18,943	36,537	(48,534)	383,551
Class F (USD)	48,204	8,203	5,174	(9,434)	52,147
Class H	21,747	9,725	3,959	-	35,431
Class I	23,647	12,157	3,324	(10,768)	28,360
Class O	419,774	-	53,248	(20,643)	452,379
Value Fund:					
Class A	2,119,812	1,589,562	84,965	(710,090)	3,084,249
Class D	51,572	298,272	10,134	(72,433)	287,545
Class F	3,256,192	4,591,622	208,150	(1,452,928)	6,603,036
Class H	686,980	433,400	31,721	(242,070)	910,031
Class I	1,659,398	2,366,714	117,907	(551,917)	3,592,102
Class O	670,026	145,552	37,659	(9,684)	843,553

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

8. Redeemable units (continued):

2016	Outstanding units, beginning of year	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of year
Canadian Opportunities Fund:					
	120,198	17,475	-	(25,587)	112,086
Class A	768	3,985	-	(1,263)	3,490
Class D	63,308	221,572	-	(15,737)	269,143
Class F	-	500	-	-	500
Class H	-	500	-	-	500
Class I	500	49,009	-	-	49,509
Class O					
Corporate Bond Fund:					
	5,546,256	493,075	136,136	(2,813,338)	3,362,129
Class A	387,216	35,168	5,305	(315,660)	112,029
Class A (USD)	515	6,454	106	(2,513)	4,562
Class D	3,141,898	1,367,165	78,393	(1,543,403)	3,044,053
Class F	132,598	52,690	1,776	(108,481)	78,583
Class F (USD)	671,067	629,959	19,563	(122,385)	1,198,204
Class H	1,679,060	746,728	25,765	(811,929)	1,639,624
Class I	357,754	504,220	32,819	(111,354)	783,439
Class O					
Small Cap Opportunities Fund:					
	1,985,574	14,701	124,386	(299,725)	1,824,936
Class A	3,358,822	108,681	257,327	(487,433)	3,237,397
Class F	59,818	157,481	23,066	(20,303)	220,062
Class O					
Strategic Growth and Income Fund:					
	792,073	71,772	5,219	(197,411)	671,653
Class A	520	658	15	-	1,193
Class D	276,830	62,445	2,895	(92,771)	249,399
Class F	500	-	15	-	515
Class O					
US All Cap Equity Fund:					
	888,473	36,919	8,237	(212,994)	720,635
Class A	61,773	6,663	547	(10,364)	58,619
Class A (USD)	542	1,155	38	-	1,735
Class D	788,874	22,747	6,806	(441,822)	376,605
Class F	76,067	13,942	931	(42,736)	48,204
Class F (USD)	10,252	11,439	584	(528)	21,747
Class H	23,601	-	588	(542)	23,647
Class I	112,921	294,224	15,155	(2,526)	419,774
Class O					
Value Fund:					
	2,261,917	560,497	30,723	(733,325)	2,119,812
Class A	25,783	28,469	1,316	(3,996)	51,572
Class D	3,192,145	1,175,569	74,200	(1,185,722)	3,256,192
Class F	496,723	223,412	15,657	(48,812)	686,980
Class H	1,172,144	652,583	45,605	(210,934)	1,659,398
Class I	357,211	295,836	18,280	(1,301)	670,026
Class O					

9. Capital management:

The redeemable units issued by the Funds represent the capital of the Funds. The Funds are not subject to any internally or externally imposed restrictions on its capital. The Funds' objective in managing capital is to ensure a stable base to maximize returns to all unitholders, and to manage liquidating risk arising from unitholder redemptions.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

10. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Funds determine fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Funds measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the fund can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. as derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Funds use widely recognized valuation models for determining the fair value of common and relatively simple financial instruments, such as debt securities, mutual fund units and warrants that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as forward foreign currency contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation, and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. Valuation techniques may include discounted cash flow techniques for debt securities and for forward foreign currency contracts, option pricing matrix for warrants and net asset value as published by underlying fund managers for mutual fund units.

For more complex instruments, the Funds use recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value.

PENDER MUTUAL FUNDS

Notes to Financial Statements

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10. Fair value of financial instruments (continued):

(a) Valuation models (continued):

In determining fair value for these types of instruments the Manager considers: the history and nature of the business; operating results and financial conditions; the general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; comparable company trading and transaction multiples, where applicable; and other pertinent considerations. Adjustments to the carrying value of the investments may also be determined by the Manager when there is pervasive and objective evidence of a decline in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and other developments since acquisition.

The table below analyzes financial instruments at fair value at December 31, 2017 and 2016 by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statements of Financial Position. All fair value measurements below are recurring.

	Level 1		Level 2		Level 3	
	2017	2016	2017	2016	2017	2016
Canadian Opportunities Fund:						
Equities	\$ 6,841,330	\$ 3,051,840	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-	1,088	5,440
Preferred shares	-	19,822	-	-	-	-
	\$ 6,841,330	\$ 3,071,662	\$ -	\$ -	\$ 1,088	\$ 5,440
Corporate Bond Fund:						
Bonds and loans	\$ 157,452,022	\$ 86,426,118	\$ -	\$ -	\$ 750,805	\$ 801,765
Closed end funds	7,040,212	6,351,920	-	-	-	-
Common shares	1,189,278	2,843,903	-	-	-	-
Preferred shares	13,977,735	8,888,165	-	-	-	-
Forward foreign currency contracts	-	-	2,771,504	(628,216)	-	-
Investments sold short	-	(1,011,603)	-	-	-	-
	\$ 179,659,247	\$ 103,498,503	\$ 2,771,504	\$ (628,216)	\$ 750,805	\$ 801,765
Small Cap Opportunities Fund:						
Equities	\$ 149,801,778	\$ 106,541,733	\$ -	\$ -	\$ -	\$ -
Preferred shares	-	-	-	-	2,752,140	-
Bonds	-	2,615,549	-	-	2,488,418	4,471,865
Warrants	-	1,703	73,786	2,560,285	-	-
	\$ 149,801,778	\$ 109,158,985	\$ 73,786	\$ 2,560,285	\$ 5,240,558	\$ 4,471,865
Strategic Growth and Income Fund:						
Mutual funds	\$ 6,327,639	\$ 3,696,354	\$ -	\$ -	\$ -	\$ -
Equities	14,260,930	7,470,305	-	-	-	-
	\$ 20,588,569	\$ 11,166,659	\$ -	\$ -	\$ -	\$ -
US All Cap Equity Fund:						
Equities	\$ 19,418,642	\$ 18,830,064	\$ -	\$ -	\$ -	\$ -
	\$ 19,418,642	\$ 18,830,064	\$ -	\$ -	\$ -	\$ -
Value Fund:						
Equities	\$ 168,624,480	\$ 103,681,461	\$ -	\$ -	\$ -	\$ -
Bonds	8,227,847	15,866,923	-	-	-	-
Warrants	6,171,117	3,189,307	-	-	-	-
	\$ 183,023,444	\$ 122,737,691	\$ -	\$ -	\$ -	\$ -

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

10. Fair value of financial instruments (continued):

(a) Valuation models (continued):

The carrying amount of the Funds' net assets attributable to redeemable units also approximates fair value as it is measured at the redemption amount and classified as Level 2 in the fair value hierarchy.

There have been no transfers between the three levels during the years ended December 31, 2017 and 2016.

The following table shows a reconciliation of the movement in fair value of all financial instruments categorized within Level 3, for those Funds holding such financial instruments, the Pender Canadian Opportunities Fund, Pender Corporate Bond Fund and Pender Small Cap Opportunities Fund, for the years ended December 31, 2017 and 2016. The remaining Funds did not hold any financial instruments categorized with Level 3.

	2017	2016
Canadian Opportunities Fund:		
Opening balance	\$ 5,440	\$ -
Purchase of investments	-	28,893
Total gain (loss) recognized in comprehensive income	(4,352)	(23,453)
Ending balance	\$ 1,088	\$ 5,440
Corporate Bond Fund:		
Opening balance	\$ 801,765	\$ -
Transfers into Level 3	-	1,141,553
Total gain (loss) recognized in comprehensive income	(50,960)	(339,788)
Ending balance	\$ 750,805	\$ 801,765
Small Cap Opportunities Fund:		
Opening balance	\$ 4,471,865	\$ 1,961,280
Purchase of investments	768,969	2,630,262
Total gain (loss) recognized in comprehensive income	(276)	(119,677)
Ending balance	\$ 5,240,558	\$ 4,471,865

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

10. Fair value of financial instruments (continued):

(b) Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used as at December 31, 2017 and 2016 in measuring financial instruments categorized as Level 3 for the Pender Canadian Opportunities Fund, Corporate Bond Fund and Small Cap Opportunities Fund in the fair value hierarchy.

2017				
Description	Fair value	Valuation technique	Unobservable input	Sensitivity to change in significant unobservable input
Canadian Opportunities Fund:				
Unlisted private investments	\$ 1,088	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Corporate Bond Fund:				
Unlisted private investments	\$ 483,132	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Unlisted private investments	\$ 267,673	Income approach using net present value	Discount rate	The estimated fair value would increase if the discount rate decreased
Small Cap Opportunities Fund:				
Unlisted private investments	\$ 5,240,558	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

10. Fair value of financial instruments (continued):

(b) Significant unobservable inputs used in measuring fair value (continued):

2016				
Description	Fair value	Valuation technique	Unobservable input	Sensitivity to change in significant unobservable input
Canadian Opportunities Fund:				
Unlisted private investments	\$ 5,440	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Corporate Bond Fund:				
Unlisted private investments	\$ 517,740	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Unlisted private investments	\$ 284,025	Income approach using net present value	Discount rate	The estimated fair value would increase if the discount rate decreased
Small Cap Opportunities Fund:				
Unlisted private investments	\$ 4,471,865	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased

Enterprise value represents the amount that market participants would pay when purchasing the investee company. The Manager determines this value based on comparable arm's length transactions in shares of the respective company. Net present value is calculated using discount rates derived from comparable market yields. The Manager determines this discount rate based on securities with similar maturities and credit ratings.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

10. Fair value of financial instruments (continued):

(c) Effects of unobservable input on fair value measurement:

Although the Pender Canadian Opportunities Fund, Pender Corporate Bond Fund and Pender Small Cap Opportunities Fund believe that their estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to alternative reasonably possible assumptions would have the following effects on the net assets attributable to holders of redeemable units as at December 31, 2017 and 2016. The remaining Funds did not have any financial instruments categorized with level 3.

	2017	2016
Canadian Opportunities Fund:		
Favourable	\$ 109	\$ 544
Unfavourable	(109)	(544)
Corporate Bond Fund:		
Favourable	92,757	99,107
Unfavourable	(86,188)	(92,034)
Small Cap Opportunities Fund:		
Favourable	524,056	447,186
Unfavourable	(524,056)	(447,186)

The favourable and unfavourable effects of using alternative reasonably possible assumptions for the valuation of unlisted private equity investments have been calculated by recalibrating the model values using unobservable inputs based on averages of the upper and lower quartiles respectively of the Pender Canadian Opportunities Fund's, Pender Corporate Bond Fund's and Pender Small Cap Opportunities Fund's ranges of possible estimates. The recalibrated model considers the impact of a 10% increase or decrease in enterprise value and a 1% increase or decrease in the discount rate.

(d) Financial instruments not measured at fair value:

The carrying value of assets and liabilities, other than investments, investments sold short and derivatives, approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

11. Financial risk management:

(a) Risk management framework:

Each Fund maintains positions in a variety of financial instruments in accordance with its investment strategy.

Pender Canadian Opportunities Fund:

The objective of the Pender Canadian Opportunities Fund is to achieve long-term growth of its investment portfolio's value and income by investing primarily in Canadian common shares, preferred shares, income trust units and exchange traded funds which track sector or broad market indices. It is designed to provide both moderate income and reasonable growth over the long-term, while being sufficiently diversified to mitigate volatility.

Pender Corporate Bond Fund:

The Pender Corporate Bond Fund's objective is to preserve capital and generate returns through current income and capital appreciation by primarily investing in investment and non-investment grade fixed income securities of North American corporations. The balance of the Fund's assets is invested primarily in government securities and cash or cash equivalents. The Fund employs a value-based fundamental research process to identify and exploit private and public securities that, in the view of the portfolio advisor, are priced inefficiently.

Pender Small Cap Opportunities Fund:

The Pender Small Cap Opportunities Fund invests primarily in a concentrated portfolio of well-managed businesses, with strong competitive positions, which are overlooked by the market and have the potential for significant capital appreciation. These businesses may be in Canada, the US and in other foreign jurisdictions with a primary emphasis on companies with a market capitalization of less than \$1 billion. The Fund may also invest in other securities regardless of market capitalization, sector or region, including other foreign equities where opportunities warrant.

Pender Strategic Growth and Income Fund:

The objective of the Pender Strategic Growth and Income Fund is to generate long-term growth in value and income by investing primarily in a diversified portfolio of Canadian and foreign equities, corporate bonds, Canadian and foreign government bonds, and exchange traded funds which track sector or broad market indices. It is designed to provide both moderate income and portfolio growth over the long-term, while being sufficiently diversified to mitigate volatility.

Pender US All Cap Equity Fund:

The primary objective of the Pender US All Cap Equity Fund is to achieve capital growth over the long-term. The Fund invests primarily in US securities but may also invest in Canadian and foreign securities.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

11. Financial risk management (continued):

(a) Risk management framework (continued):

Pender Value Fund:

The primary objective of the Pender Value Fund is to achieve capital growth over the long-term, while being sufficiently diversified to mitigate volatility. The Fund invests primarily in Canadian and US securities but may also invest in foreign securities. The Fund focuses on businesses that have the potential for growth over the long term and that have securities that trade at favourable prices.

A Fund may be exposed to a variety of financial risks. A Fund's exposure to financial risks is concentrated in its investment holdings. The Schedule of Investment Portfolio for each Fund groups securities by asset type, geographic region and/or market segment. The Pender Strategic Growth and Income Fund carries out part of its investment strategy by investing in Class O units of the Pender Corporate Bond Fund and Pender Small Cap Opportunities Fund. The financial risks associated with the Pender Strategic Growth and Income Fund's investment strategy are disclosed in a manner consistent with directly holding the individual securities within the investment portfolio of the underlying fund. The Manager's risk management practices include the monitoring of compliance to investment objectives and strategies. The Manager manages the potential effects of these financial risks on each Fund's performance by regularly monitoring each Fund's positions and market events and by diversifying investment portfolios within the constraints of each Fund's investment objective.

(b) Credit risk:

Credit risk is the risk that a loss could arise due to a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The determination of fair value of debt securities includes a consideration of the creditworthiness of the debt issuer. The credit exposure of other assets is represented by their carrying amounts.

Credit risk is managed by the portfolio advisor of each Fund through a careful selection of securities and diversification within each respective Fund. Each Fund's portfolio advisor monitors their Fund's overall market positions and positions are maintained within established ranges.

The following table summarizes the maximum exposure to credit risk for the Funds shown as at December 31, 2017 and 2016, categorized by credit ratings. The Pender Strategic Growth and Income Fund is subject to indirect credit risk through its holdings of underlying mutual funds. The Pender US All Cap Equity Fund is not exposed to any significant credit risk.

	2017	2016
Canadian Opportunities Fund:		
Unrated	\$ 1,088	\$ 5,440
Corporate Bond Fund:		
AA	\$ 8,296,768	\$ -
A	9,489,824	1,347,762
BBB	13,710,738	3,949,098
Below BBB	71,030,080	37,227,873
Unrated	55,675,417	43,691,547
	\$ 158,202,827	\$ 86,216,280

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

11. Financial risk management (continued):

(b) Credit risk (continued):

	2017	2016
Small Cap Opportunities Fund:		
Unrated	\$ 2,488,418	\$ 7,087,414
Strategic Growth and Income Fund:		
AA	\$ 198,107	\$ -
A	226,594	33,929
BBB	327,380	99,417
Below BBB	1,696,028	937,194
Unrated	1,351,567	1,145,689
	\$ 3,799,676	\$ 2,216,229
Value Fund:		
Below BBB	\$ 2,136,631	\$ 8,550,435
Unrated	6,091,216	7,316,488
	\$ 8,227,847	\$ 15,866,923

(c) Liquidity risk:

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligations on time or at a reasonable price. Each Fund is exposed to unitholder redemptions of its units. The redeemable units of each Fund are issued and redeemed on demand at the option of the unitholder based on the then current NAV per class of unit.

Liquidity risk is managed by investing the majority of each Fund's assets in investments that are traded in an active market and can be readily disposed. In accordance with securities regulations, each Fund must maintain at least 85% of its assets in liquid investments (i.e., investments that are traded in an active market). In the case where the Funds hold thinly traded investments, timely disposition of such investments and the realized price may be significantly different from their carrying values. In addition, each Fund aims to retain sufficient cash positions to maintain liquidity, and has the ability to temporarily borrow up to 5% of its net assets for the purpose of settling investment portfolio transactions or unitholder redemptions.

The Funds' redeemable units are due on demand. The Funds' remaining non-derivative liabilities are due within one month of the reporting date of the respective Fund. The following were the contractual maturities of derivative financial liabilities of the Pender Corporate Bond Fund as at December 31, 2017 and 2016, which are also due within three months of the Fund's reporting date. The amounts are gross and undiscounted. The Pender Strategic Growth and Income Fund, through its investment in the Pender Corporate Bond Fund, has indirect exposure to the risk inherent in the derivative financial instruments held by the Pender Corporate Bond Fund. The remaining Funds did not hold any derivatives as at December 31, 2017 and 2016.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

11. Financial risk management (continued):

(c) Liquidity risk (continued):

	2017		2016	
	Notional amount	Gross nominal inflow (outflow)	Notional amount	Gross nominal inflow (outflow)
Derivative instruments:				
Inflows (Outflows)	\$ 110,609,900	\$ 2,771,504	\$ 77,012,100	\$ (628,216)

(d) Interest rate risk:

Interest rate risk is the risk that the market value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. A Fund's exposure to interest rate risk is concentrated in its investment in debt securities. Other assets and liabilities are short-term in nature and/or non-interest bearing, which reduce interest rate risk.

Interest rate risk is managed by the portfolio advisor of each Fund through a careful selection of securities and diversification within each respective Fund. Each Fund's portfolio advisor monitors their Fund's overall duration and positions are maintained within established ranges.

The following table summarizes the exposure to interest rate risk for the Funds shown as at December 31, 2017 and 2016, categorized by the earlier of contractual re-pricing or maturity dates. The Pender Strategic Growth and Income Fund is subject to indirect interest rate risk through its holdings of underlying mutual funds. The Pender US All Cap Equity Fund is not exposed to any material interest rate risk:

	2017	2016
Canadian Opportunities Fund:		
1 to 3 years	\$ 1,088	\$ 5,440
Corporate Bond Fund:		
Less than 1 year	\$ 3,992,143	\$ 10,684,071
1 to 3 years	62,653,371	35,599,418
3 to 5 years	51,411,094	22,678,331
More than 5 years	40,146,219	17,254,460
	\$ 158,202,827	\$ 86,216,280
Small Cap Opportunities Fund:		
Less than 1 year	\$ -	\$ 2,615,549
1 to 3 years	2,488,418	2,716,769
3 to 5 years	-	1,755,096
	\$ 2,488,418	\$ 7,087,414

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

11. Financial risk management (continued):

(d) Interest rate risk (continued):

	2017	2016
Strategic Growth and Income Fund:		
Less than 1 year	\$ 160,496	\$ 285,859
1 to 3 years	1,518,184	913,745
3 to 5 years	1,162,401	582,252
More than 5 years	958,595	434,373
	<u>\$ 3,799,676</u>	<u>\$ 2,216,229</u>
Value Fund:		
Less than 1 year	\$ 2,398,146	\$ 5,413,883
1 to 3 years	3,693,070	1,902,605
3 to 5 years	-	7,029,118
More than 5 years	2,136,631	1,521,317
	<u>\$ 8,227,847</u>	<u>\$ 15,866,923</u>

As at December 31, 2017 and 2016, if the prevailing interest rates had been increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, the net assets of the Funds set out in the following table would have decreased or increased by the following amounts:

	2017	2016
Canadian Opportunities Fund	\$ -	\$ -
Corporate Bond Fund	5,468,071	2,839,996
Small Cap Opportunities Fund	42,767	143,474
Strategic Growth and Income Fund	130,945	72,422
Value Fund	440,339	348,688

Interest rate sensitivity was determined based on portfolio-weighted, modified duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(e) Currency risk:

Currency risk is the risk that the value of financial assets and liabilities denominated in currencies other than the Canadian dollar, will fluctuate due to changes in foreign exchange rates. Equities in foreign markets and foreign bonds are exposed to currency risk as the prices denominated in foreign currencies are converted to Canadian dollars at the valuation date.

Currency risk is managed by the portfolio advisor of each Fund through a careful selection of securities and diversification within each respective Fund. Each Fund's portfolio advisor monitors their Fund's overall market positions on a daily basis and positions are maintained within established ranges.

The Funds' currency risk is managed by each portfolio advisor in accordance with the policies and procedures in place. The Pender Corporate Bond Fund enters into certain forward foreign currency contracts to mitigate its foreign currency exposure.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

11. Financial risk management (continued):

(e) Currency risk (continued):

The net currency exposures for the Funds as at December 31, 2017 and 2016 were:

	Canadian dollar	US dollar	Japanese yen	Total
2017				
Canadian Opportunities Fund	\$ 6,992,040	\$ 18,289	\$ -	\$ 7,010,329
Corporate Bond Fund	168,337,037	25,912,977	-	194,250,014
Small Cap Opportunities Fund	158,406,974	31,203,195	-	189,610,169
Strategic Growth and Income Fund	14,917,055	6,366,058	-	21,283,113
US All Cap Equity Fund	2,294,002	17,335,014	-	19,629,016
Value Fund	98,029,658	155,393,627	3,035,657	256,458,942
2016				
Canadian Opportunities Fund	\$ 4,255,032	\$ 51,054	\$ -	\$ 4,306,086
Corporate Bond Fund	102,466,368	9,607,178	-	112,073,546
Small Cap Opportunities Fund	114,824,245	21,205,653	-	136,029,898
Strategic Growth and Income Fund	7,460,612	4,321,829	-	11,782,441
US All Cap Equity Fund	2,566,360	16,288,551	-	18,854,911
Value Fund	49,914,104	87,228,613	-	137,142,717

As at December 31, 2017 and 2016, if the Canadian dollar had strengthened or weakened by 10% in relation to all foreign currencies, with all other factors remaining constant, the net assets of the Funds would have decreased or increased respectively by the following amounts:

	2017	2016
Canadian Opportunities Fund	\$ 1,829	\$ 5,105
Corporate Bond Fund	2,591,298	960,718
Small Cap Opportunities Fund	3,120,320	2,120,565
Strategic Growth and Income Fund	636,606	432,183
US All Cap Equity Fund	1,733,501	1,628,855
Value Fund	15,842,928	8,722,861

(f) Other price risk:

Other price risk is the risk that the fair value of a security will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the security or its issuer, or by factors affecting all similar securities traded in a market.

Price risk is moderated by the portfolio advisor of each Fund through a careful selection of securities within specified limits and the Funds' price risk is managed through diversification within each respective Fund. Each Fund's portfolio advisor monitors their Fund's overall market positions and positions are maintained within established ranges.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

11. Financial risk management (continued):

(f) Other price risk (continued):

The following table summarizes each Fund's exposure to other price risk as at December 31, 2017 and 2016:

	2017	2016
Canadian Opportunities Fund	\$ 6,841,330	\$ 3,077,102
Corporate Bond Fund	22,207,226	18,083,988
Small Cap Opportunities Fund	152,553,918	109,103,721
Strategic Growth and Income Fund	16,150,431	8,630,211
US All Cap Equity Fund	19,418,642	18,830,064
Value Fund	174,795,597	106,870,768

As at December 31, 2017 and 2016, if equity prices had increased or decreased by 10%, with all other factors remaining constant, the net assets of the Funds set out in the following table would have increased or decreased by approximately the following amounts:

	2017	2016
Canadian Opportunities Fund	\$ 496,436	\$ 260,389
Corporate Bond Fund	227,121	266,651
Small Cap Opportunities Fund	12,087,745	8,603,622
Strategic Growth and Income Fund	973,751	684,986
US All Cap Equity Fund	1,939,891	1,916,636
Value Fund	17,693,999	10,507,265

Price sensitivity was determined based on portfolio-weighted beta. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

12. Involvement with structured entities:

The table below describes the number of structured entities that the Pender Corporate Bond Fund and the Pender Strategic Growth and Income Fund have not consolidated but in which they hold an interest. The remaining Funds did not hold an interest in structured entities as at December 31, 2017 and 2016.

Entity	Nature and purpose	Interest held by the respective Fund
Investment funds	To manage assets on behalf of third party investors and generate fees for the investment manager. These vehicles are financed through the issue of units to investors	Investment in units issued by the underlying funds

The table below sets out interests held by the Pender Corporate Bond Fund and the Pender Strategic Growth and Income Fund in unconsolidated structured entities as at December 31, 2017 and 2016. The maximum exposure to loss is the carrying amount of the investment in the underlying funds held.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Years ended December 31, 2017 and 2016

12. Involvement with structured entities (continued):

Corporate Bond Fund	Number of investee funds held	Total net assets of investee funds	Carrying amount included in investments
2017	5	\$ 3,690,000,000	\$ 7,040,212
2016	6	5,600,000,000	6,351,920

Strategic Growth and Income Fund	Number of investee funds held	Total net assets of investee funds	Carrying amount included in investments
2017	2	\$ 383,888,070	\$ 6,327,639
2016	2	247,960,501	3,696,354

During the periods ended December 31, 2017 and 2016, the Pender Corporate Bond Fund and Pender Strategic Growth and Income Fund did not provide financial support to unconsolidated structured entities and have no intention of providing financial or other support. The Pender Corporate Bond Fund and Pender Strategic Growth and Income Fund can sell or redeem their units in the above investment funds at any time.

13. Income taxes:

The following table presents accumulated capital losses available for utilization against realized capital gains in future years as at December 31, 2017 and 2016. Capital losses have no expiry date. The Pender Small Cap Opportunities Fund, Pender Strategic Growth and Income Fund, and Pender Value Fund have no accumulated capital losses.

	2017	2016
Canadian Opportunities Fund	\$ -	\$ 31,239
Corporate Bond Fund	9,820,702	20,103,336
US All Cap Equity Fund	-	842,122

The Funds have no non-capital losses available for carry forward.