

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Pender Corporate Bond Fund

For the year ended December 31, 2017

The logo for Pender, featuring the word "PENDER" in a bold, serif font. The letter "N" is stylized with a diagonal slash through it.

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the interim financial statements or annual financial statements at your request, and at no cost, by calling toll-free (866) 377-4743, by writing to us at 1640 – 1066 West Hastings Street, Vancouver, BC V6E 3X1 or by visiting our website at www.penderfund.com or SEDAR at www.sedar.com.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

Pender Corporate Bond Fund's (the "Fund") objective is to preserve capital and generate returns through current income and capital appreciation by primarily investing in fixed income securities of investment and non-investment grade North American corporations. The balance of the Fund's assets will primarily be invested in equities, closed end funds, government-issued securities and cash or cash equivalents.

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

Risks

The risks of investing in the Fund are outlined in the Simplified Prospectus dated June 26, 2017. Interest rate risk and credit risk remain the principal risks associated with the Fund. There were no significant changes to the Fund that affected its overall level of risk during the year.

Results of Operations

The net assets of the Pender Corporate Bond Fund (the "Fund") as of December 31, 2017 increased overall to \$194,250,014 from \$112,073,546 at December 31, 2016. Of this \$82,176,468 increase, \$10,066,377 is attributable to investment performance and \$72,110,091 is attributable to net unitholder purchases of the Fund.

For the year ended December 31, 2017, Class A units of the Fund generated a total return of 7.0%. Fund returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund's benchmark, which are based on the performance of an index that does not pay fees or incur expenses. Returns for other classes of the Fund will be similar to Class A with any difference in performance being primarily due to different management fees that are applicable to that class. Please see the "Past Performance" section for the performance of the Fund's other classes.

The Fund's broad-based benchmark, FTSE/TMX Canada Universe Bond Index, had a total return of 2.5% during the year. In accordance with National Instrument 81-106, we have included a comparison to this broad-based index to help you understand the Fund's performance relative to the general performance of the market, but caution that the Fund's mandate may be significantly different from the index.

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

The Fund's outperformance as compared to the benchmark was primarily due to the Fund being principally invested in higher yielding corporate bonds than the bonds in the index, which includes a much higher proportion of investment grade bonds. In addition, the year saw improved credit conditions and tightening of credit spreads, which resulted in price increases for certain of the Fund's securities. The Fund also took advantage of discounted preferred shares and credit-oriented, closed-end funds, and the capital appreciation of these securities also contributed to the Fund's strong performance. A final reason for the Fund's outperformance was its short duration, which was 2.5 years at the end of the year, which resulted in the Fund being less impacted from the rising interest rates in Canada.

The Fund enjoyed particular strength in holdings of rate-reset preferred shares as the prospect of rising Canadian interest rates led to increased investor interest in this asset class. In addition, the announced partial redemption above par of some of the Fund's holdings (including Enova International and Grupo Famsa) drove strong returns in these securities. The acquisition of EnerNOC Inc. and an accretive merger involving the Fund's holding of Moduslink Global Solutions also resulted in gains in these convertible bonds. Weakness in the Fund's former holding of the convertible notes of Vitamin Shoppe had the largest adverse impact to the Fund's performance for the year.

During the year, the Fund reduced its credit risk due to important changes that we observed in credit markets. Our stance became more risk-averse as we saw the interest rate differential (or "spread") between high-yield bond and government bond benchmarks decline to the lowest levels in many years. As a result of this change, the Fund increased its weighting in higher rated securities issued by companies such as McDonalds, NAV Canada, Bell Canada, Walt Disney and George Weston.

Recent Developments

For just the second time since the crisis of 2008 - 2009, the Bank of Canada appears to be embarking on a program of raising short-term interest rates. In June 2017, two speeches made by Bank of Canada Governor, Stephen Poloz, and his deputy, Carolyn Wilkins, made fairly strong cases for interest rate increases. Shortly thereafter, in July 2017, Governor Poloz did indeed announce an increase of the benchmark overnight interest rate from 0.50% to 0.75%. A second interest rate increase from 0.75% to 1.00% was made in September 2017.

It is clear that the Bank of Canada is concerned about speculation and imbalances in the Canadian residential real estate market. In its detailed Financial System Review, the Bank of Canada published in June 2017, there were documented indicators of possible speculation in the Canadian residential real estate market as well as discussion regarding the large amount of private debt Canadians have accumulated alongside the real estate boom. We view the Bank of Canada's moves here to be deliberate efforts to reign in runaway housing price speculation and the corresponding debt accumulation.

While we cannot expect to precisely predict the Bank of Canada's actions, we certainly are aware of areas vulnerable to interest rate increases across the Canadian economy. We believe the most exposed areas relate to real estate and consumer lending activity, and as a result, we aim to avoid these areas within the context of the Canadian market.

Related Party Transactions

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

As at the end of the year, parties related to the Manager collectively held 1% of the Fund's units while the Pender Strategic Growth and Income Fund held 3% of the Fund's outstanding units.

Management fees

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

Management fees are used by the Manager, in part, to pay sales commissions, trailer fees, marketing costs and other associated distribution costs relating to the sale of units of the Fund. Such expenses represented approximately 34% of the management fees paid by the Fund to the Manager for the year.

FINANCIAL HIGHLIGHTS

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

CLASS A

Fund's Net Assets Per Unit (a)	2017	2016	2015	2014	2013
Net assets – beginning of year	\$11.48	\$9.70	\$11.26	\$11.63	\$11.70
Increase (decrease) from operations:					
Total revenue	0.61	0.61	0.84	0.72	0.67
Total expenses	(0.24)	(0.22)	(0.25)	(0.27)	(0.27)
Realized gains (losses)	0.90	0.18	(1.17)	(0.33)	0.03
Unrealized gains (losses)	(0.49)	1.56	(0.24)	(0.05)	(0.04)
Total increase (decrease) from operations (b)	0.78	2.13	(0.82)	0.07	0.39
Distributions:					
From income (excluding dividends)	(0.30)	(0.31)	(0.53)	(0.45)	(0.39)
From dividends	(0.03)	(0.04)	(0.01)	-	(0.01)
From capital gains	-	-	-	-	(0.07)
Return of capital	-	(0.05)	(0.08)	-	-
Total annual distributions (c)	(0.33)	(0.40)	(0.62)	(0.45)	(0.47)
Net assets – end of year	\$11.92	\$11.48	\$9.70	\$11.26	\$11.63
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$38,229	\$38,595	\$53,812	\$116,928	\$126,140
Number of units outstanding (a)	3,206,403	3,362,129	5,546,256	10,386,906	10,842,064
Management expense ratio (d)	1.95%	1.95%	2.22%	2.25%	2.25%
Management expense ratio before absorptions (e)	1.95%	1.95%	2.22%	2.25%	2.25%
Trading expense ratio (f)	0.07%	0.08%	0.02%	0.00%	0.00%
Portfolio turnover rate (g)	95.38%	142.68%	74.82%	97.92%	80.34%
Net asset value per unit (a)	\$11.92	\$11.48	\$9.70	\$11.26	\$11.63

CLASS D

Fund's Net Assets Per Unit (a)	2017	2016	2015	2014	2013
Net assets – beginning of year	\$10.52	\$8.90	\$10.00		
Increase (decrease) from operations:					
Total revenue	0.50	0.54	0.36		
Total expenses	(0.17)	(0.15)	(0.08)		
Realized gains (losses)	0.70	0.35	(0.91)		
Unrealized gains (losses)	(0.35)	1.45	(0.19)		
Total increase (decrease) from operations (b)	0.68	2.19	(0.82)		
Distributions:					
From income (excluding dividends)	(0.33)	(0.34)	(0.25)		
From dividends	(0.03)	(0.05)	-		
From capital gains	-	-	-		
Return of capital	-	(0.03)	(0.03)		
Total annual distributions (c)	(0.36)	(0.42)	(0.28)		
Net assets – end of year	\$10.92	\$10.52	\$8.90		
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$182	\$48	\$5		
Number of units outstanding (a)	16,702	4,562	515		
Management expense ratio (d)	1.40%	1.40%	1.61%		
Management expense ratio before absorptions (e)	1.40%	1.40%	1.61%		
Trading expense ratio (f)	0.07%	0.08%	0.02%		
Portfolio turnover rate (g)	95.38%	142.68%	74.82%		
Net asset value per unit (a)	\$10.92	\$10.52	\$8.90		

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS F					
Fund's Net Assets Per Unit (a)	2017	2016	2015	2014	2013
Net assets – beginning of year	\$11.48	\$9.70	\$11.27	\$11.64	\$11.69
Increase (decrease) from operations:					
Total revenue	0.57	0.61	0.85	0.72	0.66
Total expenses	(0.15)	(0.14)	(0.17)	(0.19)	(0.18)
Realized gains (losses)	0.79	0.19	(1.17)	(0.31)	0.05
Unrealized gains (losses)	(0.40)	1.54	(0.19)	(0.07)	(0.08)
Total increase (decrease) from operations (b)	0.81	2.20	(0.68)	0.15	0.45
Distributions:					
From income (excluding dividends)	(0.39)	(0.37)	(0.60)	(0.54)	(0.48)
From dividends	(0.04)	(0.05)	(0.01)	-	(0.01)
From capital gains	-	-	-	-	(0.07)
Return of capital	-	(0.06)	(0.09)	-	-
Total annual distributions (c)	(0.43)	(0.48)	(0.70)	(0.54)	(0.56)
Net assets – end of year	\$11.92	\$11.48	\$9.70	\$11.27	\$11.64
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$68,365	\$34,938	\$30,490	\$89,393	\$90,880
Number of units outstanding (a)	5,733,494	3,044,053	3,141,898	7,934,923	7,808,048
Management expense ratio (d)	1.15%	1.15%	1.47%	1.50%	1.50%
Management expense ratio before absorptions (e)	1.15%	1.15%	1.47%	1.50%	1.50%
Trading expense ratio (f)	0.07%	0.08%	0.02%	0.00%	0.00%
Portfolio turnover rate (g)	95.38%	142.68%	74.82%	97.92%	80.34%
Net asset value per unit (a)	\$11.92	\$11.48	\$9.70	\$11.27	\$11.64

CLASS H					
Fund's Net Assets Per Unit (a)	2017	2016	2015	2014	2013
Net assets – beginning of year	\$10.11	\$8.55	\$9.88	\$10.19	\$10.25
Increase (decrease) from operations:					
Total revenue	0.52	0.60	0.74	0.64	0.58
Total expenses	(0.18)	(0.17)	(0.18)	(0.20)	(0.19)
Realized gains (losses)	0.74	0.07	(1.07)	(0.26)	0.03
Unrealized gains (losses)	(0.39)	1.26	(0.13)	(0.12)	(0.06)
Total increase (decrease) from operations (b)	0.69	1.76	(0.64)	0.06	0.36
Distributions:					
From income (excluding dividends)	(0.30)	(0.29)	(0.49)	(0.44)	(0.39)
From dividends	(0.03)	(0.04)	(0.01)	-	(0.01)
From capital gains	-	-	-	-	(0.06)
Return of capital	-	(0.05)	(0.07)	-	-
Total annual distributions (c)	(0.33)	(0.38)	(0.57)	(0.44)	(0.46)
Net assets – end of year	\$10.51	\$10.11	\$8.55	\$9.88	\$10.19
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$19,159	\$12,116	\$5,738	\$12,338	\$5,722
Number of units outstanding (a)	1,823,363	1,198,204	671,067	1,248,886	561,466
Management expense ratio (d)	1.65%	1.65%	1.84%	1.85%	1.85%
Management expense ratio before absorptions (e)	1.65%	1.65%	1.84%	1.85%	1.85%
Trading expense ratio (f)	0.07%	0.08%	0.02%	0.00%	0.00%
Portfolio turnover rate (g)	95.38%	142.68%	74.82%	97.92%	80.34%
Net asset value per unit (a)	\$10.51	\$10.11	\$8.55	\$9.88	\$10.19

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS I

Fund's Net Assets Per Unit (a)	2017	2016	2015	2014	2013
Net assets – beginning of year	\$9.85	\$8.34	\$9.66	\$10.00	
Increase (decrease) from operations:					
Total revenue	0.48	0.55	0.70	0.33	
Total expenses	(0.10)	(0.11)	(0.12)	(0.08)	
Realized gains (losses)	0.66	0.16	(1.03)	(0.29)	
Unrealized gains (losses)	(0.32)	1.24	(0.37)	(0.11)	
Total increase (decrease) from operations (b)	0.72	1.84	(0.82)	(0.15)	
Distributions:					
From income (excluding dividends)	(0.35)	(0.33)	(0.53)	(0.25)	
From dividends	(0.03)	(0.04)	(0.01)	-	
From capital gains	-	-	-	-	
Return of capital	-	(0.06)	(0.08)	-	
Total annual distributions (c)	(0.38)	(0.43)	(0.62)	(0.25)	
Net assets – end of year	\$10.24	\$9.85	\$8.34	\$9.66	
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$42,272	\$16,158	\$14,004	\$9,102	
Number of units outstanding (a)	4,127,027	1,639,624	1,679,060	941,744	
Management expense ratio (d)	1.00%	1.00%	1.26%	1.35%	
Management expense ratio before absorptions (e)	1.00%	1.00%	1.26%	1.35%	
Trading expense ratio (f)	0.07%	0.08%	0.02%	0.00%	
Portfolio turnover rate (g)	95.38%	142.68%	74.82%	97.92%	
Net asset value per unit (a)	\$10.24	\$9.85	\$8.34	\$9.66	

CLASS O

Fund's Net Assets Per Unit (a)	2017	2016	2015	2014	2013
Net assets – beginning of year	\$9.97	\$8.49	\$9.84	\$10.14	\$10.19
Increase (decrease) from operations:					
Total revenue	0.50	0.42	0.74	0.63	0.58
Total expenses	(0.01)	(0.01)	(0.01)	(0.01)	-
Realized gains (losses)	0.70	0.44	(1.01)	(0.24)	0.03
Unrealized gains (losses)	(0.34)	1.16	(0.06)	(0.07)	(0.08)
Total increase (decrease) from operations (b)	0.85	2.01	(0.34)	0.31	0.53
Distributions:					
From income (excluding dividends)	(0.44)	(0.42)	(0.65)	(0.63)	(0.57)
From dividends	(0.05)	(0.06)	(0.01)	-	(0.01)
From capital gains	-	-	-	-	(0.06)
Return of capital	-	(0.05)	(0.09)	-	-
Total annual distributions (c)	(0.49)	(0.53)	(0.75)	(0.63)	(0.64)
Net assets – end of year	\$10.37	\$9.97	\$8.49	\$9.84	\$10.14
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$12,351	\$7,813	\$3,038	\$8,159	\$6,314
Number of units outstanding (a)	1,191,011	783,439	357,754	829,484	622,667
Management expense ratio (d)	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (e)	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio (f)	0.07%	0.08%	0.02%	0.00%	0.00%
Portfolio turnover rate (g)	95.38%	142.68%	74.82%	97.92%	80.34%
Net asset value per unit (a)	\$10.37	\$9.97	\$8.49	\$9.84	\$10.14

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS A (USD)					
Fund's Net Assets Per Unit (a)	2017	2016	2015	2014	2013
Net assets – beginning of year	\$12.67	\$11.08	\$10.78	\$10.33	\$9.82
Increase (decrease) from operations:					
Total revenue	0.46	0.66	0.88	0.67	0.58
Total expenses	(0.26)	(0.24)	(0.25)	(0.25)	(0.27)
Realized gains (losses)	0.98	(0.24)	0.57	0.57	0.59
Unrealized gains (losses)	(0.96)	0.58	(0.15)	(0.09)	(0.04)
Total increase (decrease) from operations (b)	0.22	0.76	1.05	0.90	0.86
Distributions:					
From income (excluding dividends)	(0.31)	(0.34)	(0.57)	(0.38)	(0.35)
From dividends	(0.04)	(0.03)	(0.01)	-	(0.01)
From capital gains	-	-	-	-	(0.07)
Return of capital	-	(0.08)	(0.08)	-	-
Total annual distributions (c)	(0.35)	(0.45)	(0.66)	(0.38)	(0.43)
Net assets – end of year	\$12.48	\$12.67	\$11.08	\$10.78	\$10.33
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$1,264	\$1,420	\$4,291	\$6,066	\$5,767
Number of units outstanding (a)	101,249	112,029	387,216	562,640	558,289
Management expense ratio (d)	1.95%	1.95%	2.20%	2.25%	2.25%
Management expense ratio before absorptions (e)	1.95%	1.95%	2.20%	2.25%	2.25%
Trading expense ratio (f)	0.07%	0.08%	0.02%	0.00%	0.00%
Portfolio turnover rate (g)	95.38%	142.68%	74.82%	97.92%	80.34%
Net asset value per unit (a)	\$12.48	\$12.67	\$11.08	\$10.78	\$10.33
CLASS F (USD)					
Fund's Net Assets Per Unit (a)	2017	2016	2015	2014	2013
Net assets – beginning of year	\$12.54	\$11.04	\$10.74	\$10.29	\$9.81
Increase (decrease) from operations:					
Total revenue	0.38	1.17	0.88	0.66	0.57
Total expenses	(0.14)	(0.16)	(0.17)	(0.17)	(0.20)
Realized gains (losses)	0.67	(0.33)	0.80	0.53	0.61
Unrealized gains (losses)	(0.83)	0.78	(0.24)	(0.12)	0.05
Total increase (decrease) from operations (b)	0.08	1.46	1.27	0.90	1.03
Distributions:					
From income (excluding dividends)	(0.43)	(0.40)	(0.65)	(0.45)	(0.41)
From dividends	(0.04)	(0.05)	(0.01)	-	(0.01)
From capital gains	-	-	-	-	(0.06)
Return of capital	-	(0.07)	(0.10)	-	-
Total annual distributions (c)	(0.47)	(0.52)	(0.76)	(0.45)	(0.48)
Net assets – end of year	\$12.35	\$12.54	\$11.04	\$10.74	\$10.29
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$12,427	\$985	\$1,464	\$6,646	\$4,367
Number of units outstanding (a)	1,006,425	78,583	132,598	618,944	424,476
Management expense ratio (d)	1.15%	1.15%	1.46%	1.50%	1.50%
Management expense ratio before absorptions (e)	1.15%	1.15%	1.46%	1.50%	1.50%
Trading expense ratio (f)	0.07%	0.08%	0.02%	0.00%	0.04%
Portfolio turnover rate (g)	95.38%	142.68%	74.82%	97.92%	80.34%
Net asset value per unit (a)	\$12.35	\$12.54	\$11.04	\$10.74	\$10.29

FINANCIAL HIGHLIGHTS (CONTINUED)**Footnotes:**

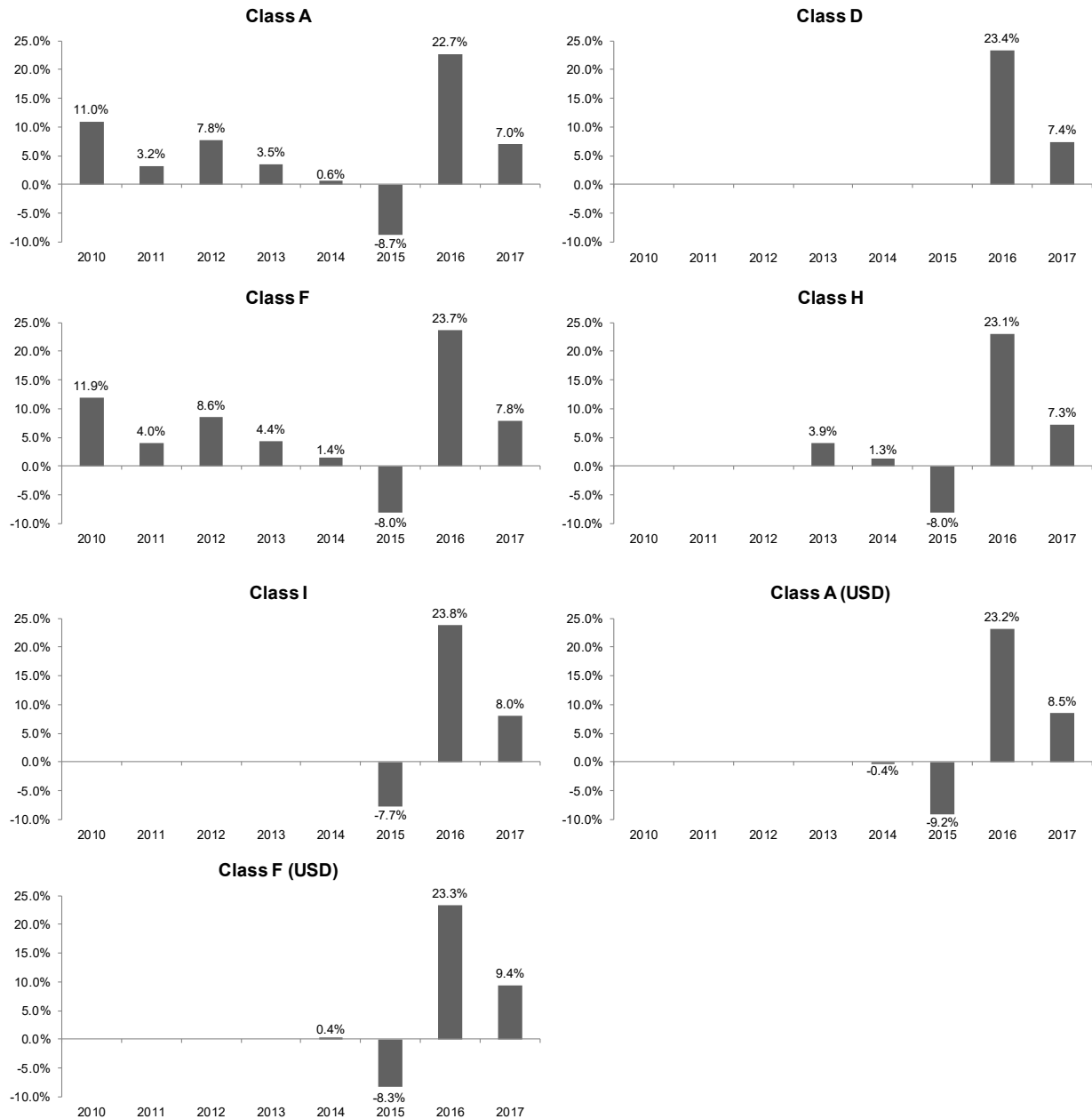
- (a) Information is derived from the Fund's financial statements.
- (b) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding during the year.
- (c) Distributions were paid in cash or reinvested in additional units of the Fund, or both.
- (d) Management expense ratio (MER) is based on total expenses (excluding commissions and other portfolio transaction costs) for the year and is expressed as an annualized percentage of average net asset value during the year. The MER may vary from one fund to another and from one class of units to another because of differences in the applicable management fees and certain fees and expenses may have been absorbed by the Manager which would otherwise be reflected in the Fund.
- (e) The Manager of the Fund has agreed to absorb sufficient expenses of the Fund, if necessary, so that the annual MER after all charges and taxes (including sales, goods and services and other similar charges) will not exceed certain limits as outlined in the Fund's Simplified Prospectus. The amount of expenses absorbed is at the discretion of the Manager as set out in the Fund's Simplified Prospectus. As such, the Manager may in its sole discretion cease to absorb expenses.
- (f) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net asset value during the year.
- (g) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

PAST PERFORMANCE

The following charts show the past performance for the units of each class of the Fund and do not necessarily indicate how the Fund will perform in the future. The information shown assumes that any distributions made by the Fund were reinvested in additional units of the Fund; returns would be different if an investor did not reinvest distributions. In addition, the information does not take into account sales, redemptions, income taxes payable or other charges that would have reduced returns or performance. Past performance are not available for any Fund classes that were not reporting issuers for the entire financial year.

Year-by-Year Returns

To illustrate how the Fund's performance has varied from year to year, the following charts show the annual returns for the calendar years indicated. The charts show, in percentage terms, how much an investment held on the first day of the year would have increased or decreased by the last day of the year.



Annual Compound Returns

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

The Fund's broad-based benchmark is FTSE/TMX Canada Universe Bond Index. The FTSE/TMX Canada Bond Universe is the broadest and most widely used measure of performance of marketable government and corporate bonds outstanding in the Canadian market. With the exception of Class A (USD) and Class F (USD), the performance of the Fund is compared to the benchmark's performance in Canadian dollars. Performance for Class A (USD) and Class F (USD) are compared to the benchmark's performance in U.S. dollars.

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

	One Year	Three Year	Five Year	Since Inception	Inception Date
Class A	7.0%	6.2%	4.5%	6.3%	06/01/2009
Benchmark	2.5%	2.6%	3.0%	4.5%	
Class D	7.4%	-	-	8.1%	06/30/2015
Benchmark	2.5%	-	-	2.1%	
Class F	7.8%	7.1%	5.4%	7.1%	06/01/2009
Benchmark	2.5%	2.6%	3.0%	4.5%	
Class H	7.3%	6.7%	5.0%	5.5%	06/19/2012
Benchmark	2.5%	2.6%	3.0%	3.0%	
Class I	8.0%	7.3%	-	5.9%	06/30/2014
Benchmark	2.5%	2.6%	-	3.2%	
Class A (USD)	8.5%	6.7%	-	4.6%	08/30/2013
Benchmark (USD)	9.7%	-0.1%	-	-0.2%	
Class F (USD)	9.4%	7.4%	-	5.3%	08/30/2013
Benchmark (USD)	9.7%	-0.1%	-	-0.2%	

SUMMARY OF INVESTMENT PORTFOLIO

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

Summary of Top 25 Holdings

	% of Net Assets
Verisign Inc., 4.63%, 2023/05/01	4.0
Just Energy Group Inc., 6.50%, 2019/07/29	3.9
W&T Offshore Inc., 9.00%, 2020/05/15	3.3
ModusLink Global Solutions Inc., 5.25%, 2019/03/01	3.2
Halyard Health Inc., 6.25%, 2022/10/15	2.9
Aimia Inc., 5.60%, 2019/05/17	2.8
KEYW Holding Corp. (The), 2.50%, 2019/07/15	2.7
NAV Canada, 5.30%, 2019/04/17	2.7
Inotek Pharmaceuticals Corp., 5.75%, 2021/08/01	2.5
Twitter Inc., 1.00%, 2021/09/15	2.4
Canadian Pacific Railway Co., 5.10%, 2022/01/14	2.1
Dorel Industries Inc., 5.50%, 2019/11/30	2.1
Rite Aid Corp., 6.13%, 2023/04/01	2.1
Alliance Data Systems Corp., 6.38%, 2020/04/01	2.0
Plantronics Inc., 5.50%, 2023/05/31	1.9
Sherritt International Corp., 7.88%, 2025/10/11	1.9
FXCM Inc., 2.25%, 2018/06/15	1.8
Masonite International Corp., 5.63%, 2023/03/15	1.7
Thomson Reuters Corp., Series II, Variable	1.7
AGT Food and Ingredients Inc., 5.88%, 2021/12/21	1.6
Apple Inc., 2.15%, 2022/02/09	1.6
Canadian National Railway Co., 2.75%, 2021/02/18	1.6
McDonald's Corp., 3.13%, 2025/03/04	1.6
Silver Standard Resources Inc., 2.88%, 2033/02/01	1.6
Visa Inc., 2.80%, 2022/12/14	1.6

Summary of Composition of the Portfolio

	% of Net Assets
US corporate bonds and loans	48.7
Canadian corporate bonds and loans	30.0
Preferred shares	7.3
Closed-end funds	3.6
Foreign corporate bonds and loans	2.7
Common shares	0.6
Total investments	92.9
Derivative assets	1.4
Cash	4.7
Other assets less liabilities	1.0
Total net assets	100.0

Caution Regarding Forward-Looking Statements

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

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

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

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

PENDER

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