

April 30, 2018

CONFIDENTIAL OFFERING MEMORANDUM

The securities referred to in this Offering Memorandum are being offered on a private placement basis. This Offering Memorandum constitutes an offering of securities only in those jurisdictions, and to those persons, where, and to whom, they may be lawfully offered for sale. The Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities. The securities offered under this Offering Memorandum qualify for distribution in the jurisdictions in which they are offered pursuant to exemptions under securities laws in those jurisdictions.

This Offering Memorandum is for the confidential use of only those persons to whom it is transmitted in connection with this offering. By their acceptance of this Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisers, this Offering Memorandum or any information contained therein. No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon. The Pender Select Ideas Fund may be considered under applicable securities laws to be a "connected issuer" of PenderFund Capital Management Ltd.

In this Offering Memorandum, "Fund" means the Pender Select Ideas Fund; "you", "your" and "unitholder" mean you and all other investors in units of the Fund; "we", "us", "our" and the "Manager" mean PenderFund Capital Management Ltd., the manager, portfolio advisor and promoter of the Fund; and "Trustee" means Computershare Trust Company of Canada, the trustee of the Fund.

The Issuer**Continuous Offering**

PENDER

PENDER SELECT IDEAS FUND

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SERIES A, SERIES B, SERIES F, SERIES
G AND SERIES O TRUST UNITS

The Pender Select Ideas Fund is an open-end investment fund established under the laws of British Columbia as a trust. **Units of the Fund do not trade on any exchange or market.** The Fund is not a reporting issuer under applicable securities laws and does not file documents electronically via SEDAR.

The Offering

Units of the Fund are offered for sale on a private placement basis to investors in all jurisdictions of Canada. The price per unit will be based on the applicable series net asset value per unit determined as at the close of business on the purchase date. See the section below called *Summary of the Trust Agreement - Determination of Series Net Asset Value*. **There is no minimum number of units of any series that will be sold as part of this offering. This means that you may be the only purchaser of units. Funds available under the offering may not be sufficient to accomplish our proposed objectives.** There is also no maximum number of units of any series that may be issued as part of this offering.

Each investor must invest an amount not less than the minimum investment amount established by us from time to time. In British Columbia, the minimum initial investment amount for any investor is \$25,000. For subsequent investments, the minimum investment amount is \$10,000. See the section below called *Investing in Units*.

You must pay the full subscription price for the units at the time of purchase by certified cheque or other means acceptable to us. Units of the Fund are sold on a continuous basis and may be purchased monthly on the last day of each month on which the Toronto Stock Exchange is open for trading (and on such other dates as we may determine from time to time). However, we may close the Fund to new investors from time to time. See the section below called *Investing in Units*.

There are important tax consequences associated with an investment in units of the Fund. See the section below called *Income Tax Consequences and RRSP Eligibility*.

We have not hired any agent or underwriter to sell units on our behalf. However, units may be sold through registered dealers. See the section below called *Compensation Paid to Sellers and Finders*.

Resale Restrictions

You will be restricted from selling your units to other investors for an indefinite period. However, you will be able to require the Fund to redeem your units at certain times if you follow the procedures we have established. See the section below called *Resale Restrictions*.

Purchasers' Rights

You have two business days to cancel your agreement to purchase units. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the purchase agreement. See the section below called *Purchasers' Rights*.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See the section below called *Risk Factors*.

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USE OF AVAILABLE FUNDS

It is not possible to determine accurately the amount of available funds as a result of this offering, as the units of the Fund are being sold on a continuous basis and the price per unit will be based on the applicable series net asset value per unit determined as at the close of business on the purchase date.

The money the Fund receives from the sale of units will be used to invest in securities in the manner described below in the section called *Investment Objective, Strategies and Restrictions*, and to pay the fees described below in the section called *Management of the Fund – Fees* and the fees and expenses described below in the section called *Management of the Fund – Expenses*.

There is no maximum and no minimum number of units that will be sold as part of this offering. No selling commissions or fees will be paid by the Fund or us in connection with the sale of units under this Offering Memorandum; however, we will pay approved salespersons of authorized dealers a service fee for on-going advice and service provided to holders of Series A and Series B units, and may also pay such salespersons an amount equal to a portion of the performance fee we receive (see the section below called *Compensation Paid to Sellers and Finders*).

The costs associated with the sale of units under this Offering Memorandum will be paid by us. However, as consideration for our services and in return for paying the operating expenses of the Fund, the Fund pays us the fees described below in the sections called *Management of the Fund – Fees* and *Management of the Fund – Expenses*.

The Fund intends to use the proceeds received from the sale of units pursuant to this offering in the manner described below in the section called *Investment Objective, Strategies and Restrictions*, and to pay the fees described below in the section called *Management of the Fund – Fees* and the fees and expenses described below in the section called *Management of the Fund – Expenses*. The Fund does not intend to reallocate funds.

SUMMARY

The following information is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Memorandum.

- The Fund** The Pender Select Ideas Fund is an open-end investment fund established under the laws of British Columbia as a trust. See the section called *The Fund*.
- Management of the Fund** PenderFund Capital Management Ltd. is the manager, portfolio advisor and promoter of the Fund. See the section called *The Fund*.
- Investment objective** The investment objective of the Fund is to achieve long-term capital growth by profiting from investment opportunities identified by the Manager. The Fund will invest primarily in Canadian and U.S. securities. See the section called *Investment Objective, Strategies and Restrictions – Investment Objective*.
- Investment strategies and restrictions** In seeking to achieve the Fund's investment objective, we will employ a variety of investment strategies to take advantage of opportunities we identify in the capital markets. See the section called *Investment Objective, Strategies and Restrictions – Investment Strategies*.
- We are subject to certain restrictions on the investments we may make on behalf of the Fund described below in the section called *Investment Objective, Strategies and Restrictions – Investment Restrictions*.
- Units** Your investment in the Fund will be represented by Series A, Series B, Series F, Series G or Series O units, depending on which series of units you purchase. Each unit of a series represents an equal undivided beneficial interest in the Fund. A holder of any series of units is entitled to one vote for each whole unit on matters for which separate approval of the series is sought at any meeting of the unitholders and one vote for each whole unit held on matters for which approval is sought from all unitholders, voting together as a group, at any meeting of the unitholders. Units are not transferable, except in very limited circumstances. However, unitholders have the right to redeem their units at certain times if they follow the procedures we have established. See the section called *Description of Units*.
- Investing in the Fund** You may invest in the Fund by purchasing units. Series A, Series B, Series F, Series G and Series O units of the Fund are offered for sale in reliance on exemptions from the prospectus requirements of applicable securities laws. You will only be permitted to purchase units if your purchase qualifies for one of these exemptions.

Units may be purchased on the last day of each month on which the Toronto Stock Exchange is open for trading (and such other dates as we may determine from time to time). The price of each unit you purchase will be equal to the Series A, Series B, Series F, Series G or Series O net asset value per unit, as the case may be, as of the close of business on the purchase date.

The minimum investment amounts are described below. See the section called *Investing in Units*.

Management fee

For our services as manager, we receive a fee from the Fund in respect of Series A and Series G units of the Fund equal to 1.00% per annum of the Series A or Series G net asset value. In respect of Series B units of the Fund, the fee is equal to 2.00% per annum of the Series B net asset value. The Series A, Series B and Series G management fees are calculated and payable monthly, and are subject to applicable taxes, including GST or HST.

No management fees are charged to the Fund in respect of Series F units or Series O units.

See the section called *Management of the Fund – Fees*.

Performance fee

We are entitled to receive a performance fee from the Fund in respect of Series A, Series B, Series F and Series G units in certain circumstances. The performance fee in respect of Series A and Series F units is calculated and accrued monthly, and payable annually on the last valuation date of June and December of each year and upon the redemption of a Series A or Series F unit, and is equal to 25% of the net increase, if any, in the series net asset value in excess of such series' High Water Mark (as defined below) before taking into account the accrual of any performance fee and after deduction of an annualized 6% minimum return threshold. The performance fee in respect of Series B and Series G units is calculated and accrued monthly, and payable annually on the last valuation date of December of each year and upon the redemption of a Series B or Series G unit, and is equal to 20% of the net increase, if any, in the series net asset value in excess of such series' High Water Mark (as defined below) before taking into account the accrual of any performance fee and after deduction of an annualized 5% minimum return threshold.

The “**High Water Mark**” for Series A, Series B, Series F and Series G units in respect of an initial subscription for a series of units, is the initial subscription price for such series of units and thereafter, is the highest closing series net asset value per unit for such series of units for any previous valuation date on which a performance fee has been paid (in each case, adjusted for any distributions in respect of such series of units).

The performance fee is subject to applicable taxes, including GST or HST.

No performance fees are charged to the Fund in respect of Series O units. An investor who holds Series O units will be charged a negotiated performance fee, plus applicable taxes including GST or HST, which is paid directly to us by the Series O investor.

See the section called *Management of the Fund – Fees*.

Early redemption fee

If you redeem units within six months of the original date of purchase, you may be required to pay the Fund a 3% redemption charge. See the section called *Management of the Fund – Fees*.

Expenses

We pay the operating costs of the Fund, including legal, audit, custodial and trustee fees; operating and administrative fees, costs and expenses; fees, costs and expenses relating to the issue and redemption of units; and costs and expenses of financial statements and other reports, offering memoranda and similar disclosure documents and any other documents as may be required to comply with securities legislation, but excluding expenses relating to the portfolio transactions of the Fund, including commissions, interest, carrying costs and withholding taxes and other taxes, which are paid by the Fund. In return, the Fund pays us a fixed administration fee in respect of Series A, Series B, Series F and Series G units equal to 0.50% per annum of the Series A, Series B, Series F or Series G net asset value. This fee is calculated and payable monthly, and is subject to applicable taxes including GST or HST.

No administration fee is charged to the Fund in respect of Series O units. An investor who holds Series O units will be charged a negotiated administration fee, plus applicable taxes including GST or HST, which is paid directly to us by the Series O investor.

All expenses associated with the organization and initial offering of units of the Fund will be paid by the Manager, and not by the Fund.

See the section called *Management of the Fund – Expenses*.

Eligibility for investment

The Fund is a “registered investment” under the *Income Tax Act* (Canada) (defined below as the “**Tax Act**”) effective from the date of its creation and at all times thereafter. Accordingly, Units of the Fund are qualified investments under the Tax Act for RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs (“**Registered Plans**”). Annuitants of RRSPs and RRIFs, and holders of TFSAs, should consult with their own tax advisors as to whether units would constitute a “prohibited investment” under the Tax Act in their particular circumstances. See the section called *Income Tax Consequences and RRSP Eligibility*.

Canadian income tax considerations

Generally, a unitholder must include in computing income for a year the portion of the net income and the taxable portion of the net realized capital gains of the Fund that is paid or payable to the unitholder in the year.

When a unitholder disposes of units, the unitholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, less any associated costs of disposition, are greater (or less) than the adjusted cost base of the units. Redesignating units of one series of the Fund as units of another series of the Fund will not result in a disposition.

See the section called *Income Tax Consequences and RRSP Eligibility*.

Risk factors

This is a risky investment. Investors could lose all the money they invest in units of the Fund. Certain risks associated with an investment in units of the Fund are described in the section called *Risk Factors*.

Trustee

Computershare Trust Company of Canada, Toronto, Ontario, is the trustee of the Fund. See the section called *Summary of the Trust Agreement – Trustee*.

Auditor

KPMG LLP, Vancouver, British Columbia, is the auditor of the Fund. See the section called *Management of the Fund – Service Providers*.

Legal counsel

Lawson Lundell LLP, Vancouver, British Columbia, acts as legal counsel to the Manager. See the section called *Management of the Fund – Service Providers*.

Year-end

December 31

Statutory and contractual rights of action

Purchasers of units are entitled to the benefit of certain statutory or contractual rights of action. See the section called *Purchasers' Rights*.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements with respect to the Fund. In particular, the information contained in the section called *Investment Objective, Strategies and Restrictions* may constitute “forward-looking information” for the purpose of securities legislation, as it contains statements of the intended course of conduct and future operations of the Fund. These statements are based on assumptions made by us about the success of the Fund’s investment strategies in certain market conditions, relying on the experience of our officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions we make and the success of our investment strategies are subject to a number of mitigating factors. Economic and market conditions may change, which may materially impact the success of our intended strategies as well as the Fund’s actual course of conduct. Investors are urged to read the section called *Risk Factors* for a discussion of other factors that will impact the Fund.

THE FUND

The Fund is an open-end investment fund established under the laws of the Province of British Columbia as a trust. The Fund was established on September 16, 2014. The Fund is considered to be a “mutual fund” within the meaning of applicable securities laws and is a “registered investment” within the meaning of the *Income Tax Act* (Canada) (the “**Tax Act**”).

PenderFund Capital Management Ltd. (defined above as the “**Manager**”, “**we**”, “**us**” and “**our**”) is the manager, portfolio advisor and promoter of the Fund. See the section called *Management of the Fund*. Computershare Trust Company of Canada (defined above as the “**Trustee**”) is the trustee of the Fund. See the section called *Summary of the Trust Agreement – Trustee*. CIBC Mellon Global Securities Services Company acts as the recordkeeper of the Fund. TD Securities Inc. acts as the prime broker of the Fund in respect of the Fund’s portfolio transactions. See the section called *Management of the Fund – Service Providers*.

The head office of the Fund (which is also our head office) is located at 1640 – 1066 West Hastings Street, Vancouver, BC, V6E 3X1. You can contact us by telephone at 604.688.1511, by facsimile at 604.563.3199 or by e-mail at info@penderfund.com.

INVESTMENT OBJECTIVE, STRATEGIES AND RESTRICTIONS

As disclosed in the section above called *Use of Available Funds*, it is not possible to determine accurately the amount of available funds as a result of this offering, as the units of the Fund are being sold on a continuous basis and the price per unit will be based on the applicable series net asset value per unit determined as at the close of business on the purchase date. However, the Fund will use the available proceeds from the sale of the units of the Fund pursuant to this offering in the manner more fully described below.

Investment Objective

The investment objective of the Fund is to achieve long-term capital growth by profiting from investment opportunities identified by the Manager. The Fund will invest primarily in Canadian and U.S. securities.

Investment Strategies

In seeking to achieve the Fund’s investment objective, we will employ a variety of investment strategies to take advantage of opportunities we identify in the capital markets. The primary and secondary investment

strategies we intend to use are described below; however, we may also deploy other strategies that are consistent with the Fund's investment objective. The reference to "primary" and "secondary" strategies refers to our intentions and not to an absolute weighting by strategy or investment type. While allocating capital to different investment strategies, we will at all times adhere to the investment restrictions described below under *Investment Restrictions*. In the discussion below, references to "investment candidates" are to both potential investments for the Fund and existing investments held by the Fund.

Primary Strategy

Long Investments

We expect our principal investment strategy to be long investments in securities of companies we identify as attractive investment candidates. Long investments will be in industries that we understand and in companies that are trading at a meaningful discount to their intrinsic value. In particular, we intend to make equity investments in a focused and concentrated portfolio driven by extensive bottom-up fundamental analysis. This analysis will include, but not be limited to, the following factors:

1. **Risk Analysis:** In the Manager's opinion, real investment risk is measured not by how much a stock may decline in price, in relation to the general market in a given period, but by the probability of a "permanent loss of capital". Without limiting the possibility of numerous other risks, we focus on three main factors within the investment analysis process:
 - **Balance sheet and financial risk:** The Manager prefers conservative balance sheets. Companies that place a high priority on maintaining a conservative financial profile are more likely to survive business cycles, mismanagement and other changes that inevitably impact most companies from time to time.
 - **Valuation risk:** If an investor overpays for a stock, it does not matter how well the underlying business performs; the returns will likely be mediocre or worse. Prospective long-term returns for any given stock will largely depend on whether the stock was bought at a discount to its intrinsic value and the underlying economics of the business itself. Over the long-term, it is hard for a stock to earn a better return than that earned by the underlying business.
 - **Business / Earnings risk:** The competitive reality of capitalism is such that most small companies stay small and most large companies become mediocre. Worse, as the pace of technological change continues to accelerate, the forces of competitive destruction are becoming even more intense which puts even well-run companies at risk. The presence of competitive advantages like scale, patents and well-loved brands help to reduce business risk.
2. **Management Competence:** We perform detailed fundamental analysis of an investment candidate's management and their ability to generate a return on capital under their stewardship. This includes historical and present analysis of management's experience and the track record of their capital allocation decisions.
3. **Management Alignment:** The Manager prefers to own securities where there is a significant economic alignment of interests between internal and external stakeholders. The portfolio manager will monitor this economic alignment by reviewing the equity ownership and changes in ownership of the investment candidate's management.
4. **Industry Dynamics and Competitive Positions:** We undertake a thorough analysis of the investment candidate's business model and position within its industry. The portfolio manager

will evaluate candidates on an absolute basis and against competitors while determining the historical, current and future prospects of the candidate.

5. Valuation: Of utmost importance, it is the Fund's intention to be long securities trading below the portfolio manager's determination of intrinsic value. The portfolio manager works diligently to estimate a conservative range of intrinsic value of any investment based principally upon two main attributes:
 - Present value of cash flows: Intrinsic value can be simply defined as the discounted value of the cash that can be taken out of a business during its remaining life. The portfolio manager will evaluate the durability of a candidate's cash flows, the risks associated with these cash flows and the growth potential of future cash flows.
 - Third party valuation / Private market value: Through extensive industry analysis, the portfolio manager will analyse merger and acquisition activity in order to determine the possibility of a non-related third party acquisition and the possible price at which an acquisition could occur.

The Fund may invest in any securities regardless of market capitalization, sector or region where opportunities warrant. The Fund may invest directly in companies, through private placements or public offerings, or may acquire previously issued shares, either through the facilities of a stock exchange or quotation system, or by private arrangement. We expect the Fund's long investments to be primarily in equity securities but they may also include debt instruments.

Secondary Strategies

Short Selling

A secondary strategy of the Fund will be short sales of equity securities. From time to time, the Fund may come across an equity security whose intrinsic value is substantially lower than its market price. The ideal short investment would have an overleveraged financial position, an extreme valuation and a weak competitive position; the exact opposite of what the Fund seeks in a long investment. When short selling, it is important to note the Fund will look for near-term catalysts that have the potential to change the market's current perception and over-valuation of the security. Short selling involves its own set of risks, return profile and holding period that are materially different from long investments. The ability to short sell allows the Fund an ability to reduce the market correlation in the overall portfolio, and initiate open positions at times of extreme over valuation.

Special Situations / Risk Arbitrage

Another secondary strategy of the Fund will be to invest in special situations, including, but not limited to, investing in event-driven situations such as private placements, initial public offerings, convertible debt and equity offerings, corporate restructurings, mergers, hostile takeovers, bankruptcies or other material events. Event-driven special situations offer the Fund an ability to seek absolute returns with a combined attribute of low correlations in relation to the overall market or other investments which would be held by the Fund. Numerous types of investments, within the limits of the investment restrictions of the Fund, may be used in order to seek return in relation to special situations.

Hedging

From time to time, completely dependent on the Manager's perception of return characteristics, the Fund will engage in hedging activities in order to reduce market and currency risk. Hedging will also be inherent in many risk arbitrage activities for purposes of isolating the return profile of a specific event. Numerous

types of investments, within the limits of the investment restrictions of the Fund, may be used for hedging purposes.

Investment types

The section below provides information regarding certain investment types that may be held by the Fund that differ from the holdings of a typical long only fund.

Short Selling

Short sales involve the Fund selling a security that it does not own in anticipation of a price decline. A short sale by the Fund involves borrowing securities from a lender which are then sold in the open market. At a future date, the securities are repurchased by the Fund and returned to the lender. While the securities are borrowed, the proceeds from the sale are deposited with the lender and the Fund pays interest to the lender. If the value of the securities declines between the time that the Fund borrows the securities and the time it repurchases and returns the securities to the lender, the Fund realizes a profit on the difference (less any interest the Fund is required to pay the lender). Short selling involves risk. See the section called *Risk Factors*.

Derivatives

The Fund may invest in or use derivative instruments from time to time for hedging and non-hedging purposes. When derivatives are used for hedging purposes, they are used as a means of hedging currency exposure and risk in the securities and businesses in which the Fund has invested to protect against losses. Where derivatives are used for non-hedging purposes, they are used either to substitute for direct investment or to generate income.

In particular, we may invest the Fund's assets in or use derivative instruments, among other things, to offset or reduce a risk associated with investments, including currency value fluctuations, stock market risks and interest rate changes; to position the Fund's portfolio so that it may profit from movements in the financial markets; to reduce transaction costs; to achieve greater liquidity; to create effective exposure to international financial markets; to increase speed and flexibility in making portfolio changes; or to seek to enhance the returns to the Fund's portfolio, including seeking to reduce the potential for loss or accepting a more certain lower return than seeking a less certain higher potential return.

The Fund may make use of clearing corporation options, futures contracts, listed warrants, options on futures, over-the-counter options, forward contracts, debt-like securities and listed warrants for hedging and non-hedging purposes.

Investing in and using derivative instruments are subject to certain risks. See the section called *Risk Factors*.

Private Unlisted Investments

The Fund may purchase interests in private unlisted equity or debt investments, subject to the restrictions set forth in the section called *Investment Objective, Strategies and Restrictions – Investment Restrictions*.

Securities Lending, Repurchase and Reverse Repurchase Arrangements

The Fund may enter into securities lending, repurchase and reverse repurchase transactions in order to earn additional income. Securities lending involves lending securities held by the Fund to qualified borrowers who have posted collateral. A repurchase transaction involves the Fund selling a security at one price and agreeing to buy it back from the same party at a lower price. A reverse repurchase transaction involves the Fund buying a security at one price and agreeing to sell it back to the same party at a higher price.

Leverage

The Fund may use leverage by borrowing against the assets of the Fund. Leverage may also be used both as part of the long strategy as well as part of the short selling technique. No more than 20% of the net asset value of the Fund, calculated at cost at the time of purchase, will be borrowed for the purpose of leveraged investing.

Cash and Cash Equivalents

The Fund may hold significant cash and cash equivalents pending investment when we consider it desirable as a result of market conditions.

Investment Restrictions

The Fund is subject to the following investment restrictions:

- No more than 10% of the net asset value of the Fund will be invested in any single investment or issuer (other than treasury bills and other debt instruments guaranteed by a sovereign nation, state or province).
- No more than 10% of the net asset value of the Fund will be invested in securities of private companies or in other illiquid investments.
- No more than 10% of the net asset value of the Fund will be invested in derivative instruments for non-hedging purposes.
- No more than 20% of the net asset value of the Fund will be borrowed for the purpose of leveraged investing.
- The Fund will not sell a security short if the aggregate market value of all securities sold short by the Fund exceeds 30% of the net asset value of the Fund.
- The Fund will not make or hold any investment or conduct any activity that would result in the Fund failing to qualify as a “unit trust” and a “mutual fund trust” within the meaning of the Tax Act under the then current definition of such terms (or under any proposed amendments to such definitions that would have retroactive effect).
- The Fund will restrict its investments so that it will not become liable for tax as a “registered investment” under the Tax Act. Generally, this means that certain of the investment strategies described above (including short selling, investments in derivatives and investments in private unlisted investments) will not be fully implemented until the Fund qualifies as a “mutual fund trust” under the Tax Act.

In each case, the percentage limit described above is calculated at cost at the time of purchase.

Except as noted above, there are no restrictions on the Fund’s investments.

Changes to Investment Objectives, Strategies and Restrictions

We may change the investment objectives, strategies and restrictions of the Fund from time to time in our discretion without notice to unitholders. If a proposed change is a material change, we will provide affected unitholders with at least 60 days’ notice of such change.

Long-Term Objectives of the Fund

The long-term objectives of the Fund are its investment objectives as set forth above. The Manager has no intention to vary or amend these objectives.

Short-Term Objectives of the Fund

The short-term objectives of the Fund are its investment objective as set forth above. The Manager has no intention to vary or amend these objectives.

Insufficient Funds

The proceeds of this offering of units of the Fund may not be sufficient to accomplish all of the Fund's objectives and there is no assurance that alternative financing will be available.

MATERIAL AGREEMENTS

The material agreements of the Fund are as follows:

1. The First Amended and Restated Master Trust Agreement made as of December 30, 2016 between us and the Trustee under the terms of which the Fund was established and is governed, and the Trustee acts as trustee of the Fund and we act as manager of the Fund. See the section called *Summary of the Trust Agreement*.
2. The Amended and Restated Management Agreement made as of December 30, 2016 between us and the Fund, which supplements the Trust Agreement and sets forth certain additional terms and conditions relating to our management of the Fund. See the section called *Management of the Fund*.
3. The Fund Administration Services Agreement made as of September 16, 2014 pursuant to which CIBC Mellon Global Securities Services Company was appointed to provide fund administration services to the Fund. See the section called *Management of the Fund – Service Providers – Administrative Services*.
4. The Institutional Prime Brokerage Account Agreement dated as of September 16, 2014 pursuant to which TD Securities Inc. was appointed as prime broker of the Fund. See the section called *Management of the Fund – Service Providers – Prime Broker*.

A description of the key terms of these agreements are described below in the sections noted above.

Summary of the Trust Agreement

The Fund is governed by the terms of the First Amended and Restated Master Trust Agreement made as of December 30, 2016 (the "**Trust Agreement**"). The Trust Agreement sets out duties and obligations of the Trustee and the Manager and the rights and restrictions that are attached to each unit of the Fund.

The following is a summary only of certain provisions of the Trust Agreement not otherwise summarized in this Offering Memorandum and is not necessarily complete. You should review the Trust Agreement for complete details of its terms. You may request a copy of the Trust Agreement by contacting us at the address, numbers or e-mail address set out on the front cover.

Division of the Fund into Units

Interests in the Fund are divided into units of one or more series. Each unit of a series has equal value to all other units of that series. There are currently five authorized series of units - Series A, Series B, Series F, Series G and Series O. A summary of the rights and restrictions attached to units is set out below in the section called *Description of Units*.

Determination of Series Net Asset Value

For unit sales and redemption pricing purposes, the net asset value of the Fund is determined by us, or our designate, at the close of business on the last day of each month on which the Toronto Stock Exchange is open for trading or such other dates as may be determined by us from time to time (referred to as a “**valuation date**”). The net asset value of the Fund is the fair market value of the Fund’s assets less its liabilities. The series net asset value for each series of units is the net asset value of the Fund that is attributed to the series determined in accordance with the Trust Agreement. The series net asset value per unit is (A) the series net asset value of the series divided by (B) the number of units of that series outstanding at the applicable time.

Consistent with the Trust Agreement, the following valuation principles will apply for the purpose of calculating the net asset value of the Fund:

- The value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, will be deemed to be the face amount thereof, unless we determine that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof will be deemed to be such value as we determine to be the reasonable value thereof.
- The value of any bonds, debentures, and other debt obligations will be valued by taking the average of the bid and ask prices on a valuation date at such times as we, in our discretion, deem appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest.
- The value of any security, index futures or index options thereon which is listed on any recognized exchange will be determined by the closing price on the valuation date or, if the closing price is not available, the average between the closing bid and asked quotations on the day on which the Net Asset Value of the Fund is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading.
- Purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants will be valued at the current market value thereof.
- Where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund will be reflected as a deferred credit which will be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options will be treated as an unrealized gain or loss on investment. The deferred credit will be deducted in arriving at the net asset value of the Fund. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option will be valued at their then current market value.

- The value of a futures contract, or a forward contract, will be the gain or loss with respect thereto that would be realized if, on the valuation date, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect, in which case fair value will be based on the current market value of the underlying interest.
- Margin paid or deposited with counterparties in respect of futures contracts and forward contracts will be reflected as an account receivable and margin consisting of assets other than cash will be noted as held as margin.
- All property of the Fund valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency will be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to us.
- All expenses or liabilities (including fees payable to us) of the Fund will be calculated on an accrual basis.
- The value of any security or property to which, in our opinion, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) will be the fair value thereof determined in good faith in such manner as we from time to time adopt.

The value of assets and liabilities of the Fund established by us in accordance with these rules will be conclusive and binding on all unitholders. Where we are provided with a value, quotation, estimate or other information related to the value of any property of the Fund by a third party, we may rely on such third party data and will have no responsibility or liability, whatsoever, for any loss or damage arising out of or in connection with our reliance on such third party data.

Trustee

The trustee of the Fund is Computershare Trust Company of Canada (defined above as the “**Trustee**”). Under the Trust Agreement, the Trustee has full control and authority over the assets of the Fund, subject to certain restrictions and limitations set forth in the Trust Agreement, including the Manager’s full power, authority and responsibility to manage the business and affairs of the Fund.

The Trust Agreement provides that the Trustee is required to exercise its powers and discharge the duties of its office honestly and in good faith and in connection therewith will exercise the degree of care, diligence and skill that a reasonably prudent Canadian trust company would exercise in comparable circumstances.

Under the Trust Agreement, the Trustee has the power to incur and pay out of the Fund property any charges or expenses and disburse any assets of the Fund, which charges, expenses or disbursements are, in the opinion of the Trustee, necessary or incidental to or desirable for the carrying out of any of the purposes of the Fund or conducting the affairs of the Fund including, without limitation, taxes or other governmental levies, charges and assessments imposed upon or against the Trustee in connection with the Fund or the property of the Fund. Under the Management Agreement, we have agreed to pay the operating costs of the Fund. See the section below called *Management of the Fund – Expenses*.

The Trustee will hold office until its resignation or removal in accordance with the terms of the Trust Agreement. The Trustee may resign as trustee of the Fund by giving notice to us and to the unitholders not less than 90 days prior to the date that such resignation is to take effect. Such resignation will take effect on the date specified in such notice, unless at or prior to such date a successor trustee is appointed by us, in which case such resignation will take effect immediately upon the appointment of such successor trustee.

We may remove the Trustee as trustee of the Fund at any time by providing notice to the Trustee and the unitholders not less than 60 days prior to the date that such removal is to take effect. In the event that the Trustee resigns or is removed or becomes incapable of acting or if for any reason a vacancy will occur in the office of trustee, we will appoint a successor trustee to fill such vacancy. If we fail to appoint a successor trustee in any circumstance under which the Trustee ceases to hold office, the Fund will be terminated upon the effective date of the resignation or removal of the Trustee.

The Trust Agreement provides that the Trustee and each of its directors, officers, employees, shareholders and agents will be indemnified out of the Fund property from and against all claims (including costs, judgments, charges and expenses including legal fees in connection therewith) brought, commenced or prosecuted against it for or in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as trustee, and all other liabilities, costs, charges and expenses which it sustains or incurs in or about or in relation to the affairs of the Fund. However, this indemnity will not apply to the extent that any such claim, liability, cost, charge or expense has been caused by the negligence, misfeasance or wilful default on the part of the Trustee or other indemnified person, as the case may be, or to the extent the Trustee does not meet its required standard of care.

For providing its services in accordance with the terms of the Trust Agreement, the Trustee is entitled to receive the fees and expenses agreed upon from time to time by us and the Trustee. The fees and expenses of the Trustee are paid by the Manager. See the section called *Management of the Funds – Expenses*.

Meetings

Meetings of unitholders as a whole or of any particular series of unitholders of the Fund may be convened by us, from time to time as we may deem advisable. A notice convening a meeting of unitholders will be given in accordance with the Trust Agreement and applicable securities legislation and will state in general terms the business to be considered at the meeting. The quorum for any meeting is two unitholders of the Fund present in person or represented by proxy representing not less than 5% of the votes attached to all units entitled to vote at the meeting. The number of votes you will have on any question submitted to any meeting will be equal to the number of units then held by you. We may seek your approval for matters by way of mail rather than by holding a meeting of unitholders.

Amendment of the Trust Agreement

Any provision of the Trust Agreement may be amended, deleted, expanded or varied by us without your consent provided that the amendment, deletion, expansion or variation is acceptable to us and the Trustee acting reasonably. If, in our opinion, the amendment is a change that would be considered important by a reasonable unitholder in determining whether to continue to hold units of the Fund, and is prejudicial to the interests of unitholders as a group, notice of the amendment will be provided to unitholders of the Fund not less than 60 days prior to the date the amendment is made effective.

Termination of the Fund

We may, in our discretion, terminate the Fund or any particular series of units of the Fund by giving notice, fixing the date of termination not earlier than 60 days following the mailing or other delivery of notice, to the Trustee and to the unitholders of the Fund or of the series, as the case may be. Unless permitted by us, in our discretion, no units affected by such termination may be redeemed at the option of the unitholder from the date that such notice of termination is given until the date that is fixed for termination. The Fund may also be automatically terminated in certain circumstances set forth in the Trust Agreement, including if we fail to appoint a successor trustee in any circumstances under which the Trustee ceases to hold office,

if we resign and prior to the effective date of such resignation, a successor manager of the Fund is not appointed, if we are in material default of our obligations under the Trust Agreement and such default continues for 120 days from the date that we receive notice of such material default from the Trustee, if we are declared bankrupt or insolvent or enter into liquidation or are wound up, if we make a general assignment for the benefit of creditors or otherwise acknowledge our insolvency, or if our assets become subject to seizure or confiscation by any public or governmental authority.

If the Fund is terminated, on or about the effective date of termination, we will terminate all agreements, close all portfolio positions and sell all non-cash assets of the Fund, unless we determine that it would be in the best interests of the unitholders to distribute some or all of such assets in kind. We will be entitled to retain an amount to cover all costs, charges, expenses, claims and demands incurred, made or reasonably anticipated by us in connection with or arising out of the termination of the Fund and the distribution of the Fund property to unitholders. We will distribute from time to time to unitholders as of the effective date of the termination their proportionate share of all Fund property attributable to the applicable series of units and available at that time for the purpose of such distribution. In connection with the termination of the Fund and prior to completing such distributions, we may require a release from each unitholder.

MANAGEMENT OF THE FUND

We act as manager of the Fund pursuant to the Trust Agreement, as supplemented by the Amended and Restated Management Agreement made as of December 30, 2016 (the "**Management Agreement**"). As manager, we are responsible for managing the business and affairs of the Fund, including providing the Fund with all necessary administrative and portfolio advisory services. We may also be considered to be a "promoter" of the Fund within the meaning of applicable securities laws because we took the initiative in organizing the Fund.

Powers of the Manager

As the manager of the Fund, we have full authority and responsibility to manage the business and affairs of the Fund, including providing the Fund with all necessary administrative and portfolio advisory services.

Under the Trust Agreement, we are required to exercise the powers and discharge the duties of our office honestly, in good faith and in the best interests of the Fund and in connection therewith will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fees

We are entitled to receive fees for our services as Manager and portfolio advisor of the Fund. The fees for our services as Manager and portfolio advisor are set forth in the Management Agreement and are described below. We are required to provide you with 60 days' prior written notice of any change to the Management Agreement if such change could result in an increase of fees paid by the Fund, or by any series of units of the Fund.

From time to time, we may waive any portion of the fees otherwise payable to us but we are not obligated to do so.

Management Fees

In consideration of the services provided by us as Manager in respect of Series A and Series G units of the Fund, the Fund pays us a monthly management fee equal to 1/12 of 1% (1% per annum) of the net asset

value of Series A or Series G units of the Fund on the last valuation date of each month. In consideration of the services provided by us as Manager in respect of Series B units of the Fund, the Fund pays us a monthly management fee equal to 1/12 of 2% (2% per annum) of the net asset value of Series B units of the Fund on the last valuation date of each month (see the section called *Summary of the Trust Agreement – Determination of Series Net Asset Value*). The management fee will be deducted as an expense of the Fund in the calculation of the net asset value of the Fund. The management fee is calculated prior to, and without taking into account, the performance fee paid to us. See the section below called *Fees - Performance fee*. The management fee is subject to applicable taxes, including GST or HST.

No management fees are charged to the Fund in respect of Series F units or Series O units.

In return for paying the operating costs of the Fund, we also receive the administration fee described below in the section *Expenses*.

Performance Fee

We are entitled to receive a performance fee from the Fund in respect of Series A, Series B, Series F and Series G units in certain circumstances, based on achieving certain performance criteria. The performance fee in respect of Series A and Series F units is calculated and accrued monthly, and payable annually on the last valuation date in December in each year and upon the redemption of a Series A or Series F unit, and is equal to 25% of the net increase, if any, in the series net asset value in excess of such series' High Water Mark (as defined below) before taking into account the accrual of any performance fee and after deduction of an annualized 6% minimum return threshold. The performance fee in respect of Series B and Series G units is calculated and accrued monthly, and payable annually on the last valuation date of December of each year and upon the redemption of a Series B or Series G unit, and is equal to 20% of the net increase, if any, in the series net asset value in excess of such series' High Water Mark (as defined below) before taking into account the accrual of any performance fee and after deduction of an annualized 5% minimum return threshold.

The “**High Water Mark**” for Series A, Series B, Series F and Series G units in respect of an initial subscription for a series of units, is the initial subscription price for such series of units and thereafter, is the highest series net asset value per unit for such series of units for any previous valuation date on which a performance fee has been paid (in each case, adjusted for any distributions in respect of such series of units).

The performance fee is subject to applicable taxes, including GST or HST.

No performance fees are charged to the Fund in respect of Series O units. Instead, an investor who holds Series O units will be charged a negotiated performance fee, plus applicable taxes including GST or HST, which is paid directly to us by the Series O investor and not by the Fund.

We may pay an amount equal to a portion of the performance fee to certain representatives of certain authorized dealers (or to such dealers for their representatives). The purpose of this performance-based servicing fee is to ensure that the dealer, its representatives and investors all have a common interest in the Fund performing well. See the section called *Compensation Paid to Sellers and Finders*.

Expenses

We pay the operating costs of the Fund, including legal, audit, custodial and trustee fees; operating and administrative fees, costs and expenses; fees, costs and expenses relating to the issue and redemption of units; and costs and expenses of financial statements and other reports, offering memoranda and similar

disclosure documents and any other documents as may be required to comply with securities legislation, but excluding expenses relating to the portfolio transactions of the Fund, including commissions, interest, carrying costs and withholding taxes and other taxes, which are paid by the Fund. In return, the Fund pays us a fixed administration fee in respect of Series A, Series B, Series F and Series G units equal to 0.50% per annum of the Series A, Series B, Series F or Series G net asset value. This fee is calculated and payable monthly, and is subject to applicable taxes including GST or HST.

No administration fee is charged to the Fund in respect of Series O units. An investor who holds Series O units will be charged a negotiated administration fee, plus applicable taxes including GST or HST, which is paid directly to us by the Series O investor.

The Fund pays all expenses relating to the portfolio transactions of the Fund, including commissions, interest, carrying costs and withholding taxes and other taxes.

All expenses associated with the organization and initial offering of units of the Fund will be paid by the Manager, and not by the Fund.

Resignation of the Manager

We may resign as manager of the Fund by giving notice in writing to the Trustee and the unitholders not less than 90 days prior to the date that the resignation is to take effect, unless such other notice period of not less than 30 days is mutually agreed upon, in writing, by us and the Trustee. Such resignation will take effect on the date specified in such notice.

Indemnification of the Manager

The Trust Agreement provides that the Manager and its affiliates, subsidiaries and agents, and their respective directors, officers and employees, will be indemnified by the Fund from and against all costs, charges and expenses sustained or incurred, including all legal fees, judgments and amounts paid in settlement, in or about any action, suit or proceeding that is brought, commenced or prosecuted against it for or in respect of any act, deed, omission, matter or thing whatsoever made, done or permitted by it in or about the proper execution of the services as Manager of the Fund, provided that the act, deed, omission, matter or thing that caused the payment of the costs, charges, expenses, fees, judgments or amounts paid in settlement was in good faith believed to be in the best interest of the Fund. However, such persons or companies will not be indemnified by the Fund where, subject to certain exceptions there has been negligence, misfeasance or wilful misconduct on the part of the Manager or such other person, or the Manager has failed to fulfil its required standard of care.

Management Experience

The following table discloses the principal occupations of our directors and executive officers over the past five years and their relevant experience.

<u>Name and office held</u>	<u>Principal occupation and relevant experience</u>
KELLY EDMISON, LLB Director and Chairman of the Board	Mr. Edmison has been active in the Vancouver investment community for over 30 years. A graduate of the University of Toronto and Queen's University, Mr. Edmison practiced law for over 20 years. Mr. Edmison spent his early career in Calgary and Hong Kong before joining Ladner Downs (now Borden Ladner Gervais) in 1985 where he practiced securities and commercial law until 1995. Mr. Edmison then established his own practice focused exclusively on representing Vancouver based junior technology companies. Mr. Edmison has since ceased to practice law. Mr. Edmison founded the Manager in 2003, served as its CEO from 2003 through 2016 and is currently a shareholder, director and Chairman of the Board of Directors of the Manager. Mr. Edmison has been a director of a number of other public and private technology companies and is currently a director of BSM Technologies Inc. (previously, BSM Wireless).
DAVID BARR, CFA President, Chief Executive Officer and Director	Mr. Barr joined the Manager as an Investment Manager in 2003 and was appointed Chief Financial Officer on November 26, 2005 and Corporate Secretary on November 8, 2006. Mr. Barr served as Chief Financial Officer until April 2009 and was appointed Chief Investment Officer of the Manager in April 2009. Mr. Barr was appointed President and Chief Executive Officer of the Manager in April 2016. He is the portfolio manager of a number of investment funds also managed by the Manager. Mr. Barr is also a director and shareholder of the Manager. Previously, Mr. Barr worked as a consultant to emerging technology companies assisting the companies in development of strategic and financing plans. Mr. Barr holds a Bachelor of Science Degree from the University of British Columbia and a Masters of Business Administration from Schulich School of Business at York University. Mr. Barr is a CFA charterholder and a member of the CFA Institute. Mr. Barr is a registered Investment Counsel/Portfolio Manager with the British Columbia Securities Commission and a past president of CFA Vancouver.
GINA JONES, CPA, CA, CF Chief Operating Officer, and Chief Compliance Officer	Ms. Jones joined the Manager as Chief Operating Officer in June 2017 and assumed the role of Chief Compliance Officer of the Manager in July 2017. Previously, Ms. Jones was the Chief Operating Officer and Chief Financial Officer of Salman Partners Inc., an independent brokerage firm in Vancouver, and also Chief Financial Officer of its subsidiary, Salman Partners (USA) Inc. Prior to that, Ms. Jones was CFO at two Vancouver investment dealers, Woodstone Capital Inc. and Golden Capital Securities Inc.. Ms. Jones holds a Bachelor of Commerce degree from UBC, articulated with PricewaterhouseCoopers LLP, and is a CPA, CA and CF, a Chartered Professional Accountant with Corporate Finance specialty designation, and holds an ICD.D designation from the Institute of Corporate Directors.
KELVIN KWONG, CPA, CA, CFA Chief Financial Officer, and Corporate Secretary	Mr. Kwong joined the Manager as Chief Financial Officer in April 2010. He served as Chief Compliance Officer from the Manager from January 2014 to July 2017. Mr. Kwong was a Director of the Manager from December 2015 to October 2017. He has been Corporate Secretary of both the Fund and the Manager since December 2015. Previously, Mr. Kwong was the Director of Finance & Product Development at Inhance Investment Management Inc., a division of Vancity Credit Union. Prior to Vancity, Mr. Kwong was a Senior Associate at PricewaterhouseCoopers, where he earned his Chartered Accountant designation. Mr. Kwong holds a Bachelor of Commerce (Honours) degree from the Sauder School of Business at the University of British Columbia. Mr. Kwong is a CFA charterholder and member of the CFA Institute.

Name and office held	Principal occupation and relevant experience
FELIX NARHI, CFA Chief Investment Officer and Director	Mr. Narhi is the portfolio manager of the Pender US All Cap Equity Fund and Pender Strategic Growth and Income Fund, and co-manager of the Pender Value Fund. Mr. Narhi was appointed Co-Chief Investment Officer in April 2016 until April 2017, when he was appointed Chief Investment Officer. Prior to joining Pender in July 2013, Mr. Narhi spent nine years at Odlum Brown Limited, an independent and value-oriented investment firm in Vancouver. As a Director and Senior Equity Analyst, Mr. Narhi contributed thought leadership and primarily US investment equity ideas to the company's Model Portfolio, a concentrated equity portfolio that has outpaced the North American benchmarks since its inception in 1994. Mr. Narhi holds a Bachelor of Commerce degree from the University of British Columbia. He is a CFA charterholder and is a member of the CFA Institute.
DONALD CAMPBELL, LLB Director	Mr. Campbell is a graduate of the University of Manitoba's Faculty of Law and has been practicing law in Winnipeg since 1990. From 2002 to 2003 he was the National Director of Compliance for IQON Financial Inc, a 400 advisor mutual fund dealer based in Winnipeg and was Legal Counsel - Compliance, with Assante Asset Management Ltd. from 2000 to 2002. Mr. Campbell is a founding member of the Compliance Officers' Forum of Manitoba. Mr. Campbell focuses his practice on advising clients in the advisory and mutual fund business.

INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

The table below outlines certain information regarding the Manager, each director and officer of the Manager, and each person who as at April 25, 2018 directly or indirectly, beneficially owned or controlled 10% or more of the voting units of the Fund.

Name and municipality of principal residence	Position held / date of obtaining that position	Compensation paid by Fund in the year ended Dec. 31, 2017 and anticipated to be paid in the current financial year.⁽¹⁾	Number, type and % of series' units held as at April 25, 2018
PENDERFUND CAPITAL MANAGEMENT LTD. Vancouver, BC	Manager, portfolio advisor and promoter of the Fund / September 2014	\$157,197	1 Series A / 0% 1 Series F / 0% 1 Series O / 0%
KELLY EDMISON Vancouver, BC	Director of the Manager / December 2003	Nil	303 Series A / 1% 506 Series B / 100% 10,128 Series G / 100% 6,261 Series O / 5%
DAVID BARR North Vancouver, BC	President, Chief Executive Officer and Director of the Manager / December 2003	Nil	8,341 Series O / 6%
GINA JONES Vancouver, BC	Chief Operating Officer of the Manager/June 2017 and Chief Compliance Officer of the Manager /July 2017	Nil	Nil

<u>Name and municipality of principal residence</u>	<u>Position held / date of obtaining that position</u>	<u>Compensation paid by Fund in the year ended Dec. 31, 2017 and anticipated to be paid in the current financial year.⁽¹⁾</u>	<u>Number, type and % of series' units held as at April 25, 2018</u>
KELVIN KWONG Vancouver, BC	Chief Financial Officer and Corporate Secretary of the Manager / April 2010	Nil	Nil
FELIX NARHI North Vancouver, BC	Chief Investment Officer of the Manager / April 2016 and Director of the Manager / October 2017	Nil	Nil
DONALD CAMPBELL Winnipeg, MB	Director of the Manager / April 2009	Nil	5,087 Series F / 1%

<u>Name of Unitholder</u>	<u>Number / % of series' units held as at April 25, 2018</u>
Foundation Investor ⁽²⁾	117,940 Series O / 85%
Corporate Investor ⁽²⁾	35,374 Series A / 45%
Corporate Investor ⁽²⁾	143,494 Series F / 37%
Corporate Investor ⁽²⁾	53,765 Series F / 14%

Note 1: Compensation anticipated to be paid in the current financial year will be paid in accordance with the Management Agreement and will be a function of the net asset value of the Fund, all as more particularly disclosed in the section called *Management of the Fund – Fees*.

Note 2: Due to privacy reasons, the name of the unitholder has been omitted and the information is available on request by contacting the Manager at 1-866-377-4743 or info@penderfund.com.

Penalties, Sanctions and Bankruptcy

There are no penalties or sanctions that have been in effect during the last 10 years, or any cease trade orders that have been in effect for a period of more than 30 consecutive days during the past 10 years against: (i) a director, executive officer or control person of the Fund or the Manager; or (ii) an issuer of which any of the foregoing persons was a director, executive officer or control person at the relevant time.

There are no declarations of bankruptcy, voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation, proceedings, arrangements or compromises with creditors or appointments of a receiver, receiver manager or trustee to hold assets, that have been in effect during the last 10 years with regard to any: (i) director, executive officer or control person of the Fund or the Manager; or (ii) issuer of which any of the foregoing persons was a director, executive officer or control person at the relevant time.

Service Providers

Administrative Services

CIBC Mellon Global Securities Services Company (“**CIBC Mellon**”) acts as fund administrator of the Fund pursuant to a fund administration services agreement made as of September 16, 2014. As fund administrator, it keeps track of who owns units of the Fund, maintains a record of all purchases and redemptions of units, and prepares and maintains certain other records required by the Fund and provides

certain other administrative services to the Fund. CIBC Mellon receives a fee for its services as fund administrator and the amount of this fee is negotiated and paid by us. We pay this fee to CIBC Mellon as partial consideration for the administration fee we receive from the Fund.

Prime Broker

TD Securities Inc. (“**TD Securities**”) acts as the prime broker of the Fund pursuant to an institutional prime brokerage account agreement dated September 16, 2014. The services provided by TD Securities may include the provision to the Fund of trade execution, settlement, reporting, securities financing, stock borrowing, stock lending, foreign exchange and banking facilities. The Fund may also utilise other brokers and dealers for the purposes of executing transactions for the Fund.

The Fund has agreed to indemnify TD Securities and its affiliates and any of their respective employees, officers or directors against any liability suffered in connection with the services provided by TD Securities as prime broker, except where the liability results primarily from an act of bad faith, wilful default, fraud or gross negligence of TD Securities or other indemnified party.

TD Securities receives a fee for its services as prime broker and the amount of this fee is negotiated and paid by us. We pay this fee to TD Securities as partial consideration for the administration fee we receive from the Fund.

Auditor

KPMG LLP, Vancouver, British Columbia, has been appointed as auditor of the Fund.

Legal Counsel

Lawson Lundell LLP, Vancouver, British Columbia, acts as legal counsel to the Manager.

CAPITAL STRUCTURE

Outstanding Securities of the Fund

The table below describes the outstanding units of the Fund as at April 25, 2018.

Description of Security⁽¹⁾⁽²⁾	Number authorized to be issued⁽³⁾	Number of units outstanding
Series A units	Unlimited	78,403
Series B units	Unlimited	506
Series F units	Unlimited	388,719
Series G units	Unlimited	10,128
Series O units	Unlimited	138,808

⁽¹⁾ The Fund may offer additional series of units in the future.

⁽²⁾ The price per unit will be based on the applicable series net asset value per unit determined as at the close of business on the purchase date.

⁽³⁾ There is no minimum or maximum number of units to be issued as part of this offering. The Fund will continue to issue additional Series A, Series B, Series F, Series G and Series O units on an on-going basis.

Prior Sales

The table below discloses information regarding the units being offered under this Offering Memorandum that were issued at the month-end of the 12 month period from April 1, 2017 to March 31, 2018.

Description of Security	Number of Units Issued	Price per unit	Total funds received
Series A Units	27,357	\$11.9680	\$327,409
Series B Units	5	\$11.2000	\$56
Series F Units	209,605	\$11.8866	\$2,491,491
Series G Units	273	\$11.1950	\$3,056
Series O Units	18,601	\$12.3664	\$230,027

Within the 12 months from April 1, 2017 to March 31, 2018, an aggregate of 4,373 Series A units, 106,331 Series F units and 2,199 Series O units have been redeemed for an aggregate gross redemption amount of \$1,339,779.

DESCRIPTION OF UNITS

The beneficial interest in the Fund is divided into different series of units. Each series of units is intended for different types of investors. A unit of any series represents an equal undivided interest in the net assets of the Fund represented by that series. However, the assets of all series of the Fund are combined in a single pool to create one portfolio for investment purposes.

Except for the fees and expenses payable in respect of each series of units, the rights and attributes of each series will be identical. See the section called *Distributions*. A holder of any series of units is entitled to one vote for each whole unit on matters for which separate approval of the series is sought at any meeting of the unitholders and one vote for each whole unit held on matters for which approval is sought from all unitholders, voting together as a group, at any meeting of the unitholders.

Gains and losses of the Fund will be allocated to each series of units in proportion to the net asset value of the series relative to the other series (other than with respect to capital gains distributed to redeeming unitholders and management fee distributions). See the section called *Summary of the Trust Agreement – Determination of Series Net Asset Value*. Units are not transferable, except in very limited circumstances. If the Fund is terminated, a holder of units of any series on the termination date will be entitled to a proportionate share of the net assets of the Fund attributable to that series of units.

The Fund currently issues only Series A units, Series B units, Series F units, Series G units and Series O units. The Fund may issue other series of units in the future. If you cease to be eligible to hold the series of units you hold, we may redesignate your units as units of a different series based on the applicable net asset value per unit of the two series on the date of the redesignation.

Series A Units

Series A units are available to all investors through authorized dealers or directly from us in British Columbia and other jurisdictions where permitted under applicable securities laws. The management fee

and performance fee paid to us by the Fund with respect to Series A units are described in the section called *Management of the Fund – Fees*. You will not be charged a commission or fee by us or the Fund when you acquire your Series A units. However, your dealer may charge you a commission or fee in respect of your total purchase. See *Compensation Paid to Sellers and Finders* below for information on the service fee we will pay if you acquire Series A units through an authorized dealer other than us.

Series B Units

Series B units are available to all investors through authorized dealers or directly from us in British Columbia and other jurisdictions where permitted under applicable securities laws. The management fee and performance fee paid to us by the Fund with respect to Series B units are described in the section called *Management of the Fund – Fees*. You will not be charged a commission or fee by us or the Fund when you acquire your Series B units. However, your dealer may charge you a commission or fee in respect of your total purchase. See *Compensation Paid to Sellers and Finders* below for information on the service fee we will pay if you acquire Series B units through an authorized dealer other than us.

Series F Units

Series F units are available to investors who have fee-based accounts with their dealer and whose dealer has signed an agreement with us. Investors in Series F units pay an annual fee to their dealer for investment advice and other services. We do not pay a service fee to a dealer who sells Series F units which means that we do not need to charge a management fee to holders of Series F units. Series F units are also available to other groups of investors for whom we do not incur distribution costs. The performance fee paid to us by the Fund with respect to Series F units is described in the section called *Management of the Fund – Fees*.

Series G Units

Series G units are available to investors who have fee-based accounts with their dealer and whose dealer has signed an agreement with us. Investors in Series F units pay an annual fee to their dealer for investment advice and other services. We do not pay a service fee to a dealer who sells Series F units which means that we do not need to charge a management fee to holders of Series F units. Series F units are also available to other groups of investors for whom we do not incur distribution costs. The performance fee paid to us by the Fund with respect to Series F units is described in the section called *Management of the Fund – Fees*.

Series O Units

Series O units are available to investors who have entered into an agreement with us and meet certain other conditions. No management fees, performance fees or administration fees are charged to the Fund with respect to Series O units; rather, the investors who hold Series O units will pay fees directly to us, in an amount determined by negotiation and set out in the agreement between us and the investor.

Distributions

Sufficient net income and net realized capital gains of the Fund will be distributed to unitholders in each year to ensure that the Fund will not be subject to tax under Part I of the Tax Act. Unless otherwise requested in writing, any distribution payable to you as a unitholder will be automatically reinvested in additional units of the same series at the applicable series net asset value per unit on the date of the distribution.

From time to time, we may accept reduced management fees, performance fees and/or administration fees for the services we provide to certain unitholders who make substantial investments in the Fund. If we accept reduced fees in respect of your investment, you will receive a “management fee” distribution equal

to the amount of such fee reduction. This distribution will be paid first out of the net income and net realized capital gains of the Fund, and thereafter out of capital, and will be automatically reinvested in additional units.

Redemption of Units

You may redeem all or a portion of your units by providing us with advance written notice. If you provide notice of a redemption in one month, your units will be redeemed on the last business day of the following month. For this purpose, a business day is any day on which the Toronto Stock Exchange is open for trading. The redemption price of your units will be the applicable series net asset value per unit determined as at the close of business on the redemption date. We may waive the advance written notice requirement or may accept a redemption of units at any time during the year, provided that we conclude that such action will not adversely affect the interests of the remaining unitholders of the Fund. You will be paid the redemption price (net of any early redemption charge) within five business days of the redemption date.

An investment in the Fund is designed for investors with medium to long-term investment horizons and is not intended for short-term investment. As a result, the Fund may charge a 3% redemption charge, based on the net asset value of the units redeemed, to any unitholder who redeems units within the first six months of the purchase of such units.

We may in our discretion decide to satisfy any redemption request in full or in part through the transfer *in specie* of such securities or other property of the Fund, which together with payments in cash (if any), in aggregate have a value (determined on the applicable redemption date) of not less than the redemption amount payable to the unitholder (i.e., the aggregate series net asset value of such redeemed units less any redemption charge). We do not anticipate exercising this discretion other than in exceptional circumstances such as when one or more redemptions by one or more unitholders will have a materially prejudicial effect on the remaining unitholders or otherwise materially and adversely affect the Fund.

We also have the right, exercisable at any time at our discretion, to require you to redeem your units. We will provide you with written notice of our decision to require you to redeem your units at least 10 days prior to the date on when the redemption will occur. The redemption price of your units will be the net asset value per unit determined as at the close of business on the next valuation date following the expiry of the 10 day notice period.

We may suspend your right to redeem units (including units of a particular series) or your right to payment for units previously tendered for redemption (i) during any period when normal trading is suspended on any stock exchange within or outside Canada on which securities are listed which represent more than 50% of the market value of the Fund's assets, without allowance for liabilities; (ii) for such period during which we determine that conditions exist as a result of which the disposal of the Fund's assets necessary to satisfy redemptions is not reasonably practicable or determining the series net asset value is not reasonably practicable; or (iii) at other times, with the consent of the British Columbia Securities Commission. Any suspension will take effect at the time declared by us and will terminate on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. During the suspension period, no redemptions of units will be permitted. If you have requested redemption and a suspension occurs, you may either withdraw your redemption request within three business days of receiving notice of the suspension or receive payment based on the series net asset value per unit next calculated after the termination of the suspension.

Consolidation, Subdivision and Redesignation

Units may automatically be consolidated in certain circumstances described in the Trust Agreement. In addition, we may consolidate or subdivide units of any series, provided the aggregate net asset value of all units of the series prior to such consolidation or subdivision is equal to the net asset value of all units of such series following such consolidation or subdivision. We may also redesignate units of any series as units of a different series based on the applicable series net asset value per unit of the two series on the date of the redesignation.

Transfer of Units

Units are transferable only in very limited circumstances. Units may not be transferred except by operation of law or with our prior written consent. See the section below called *Resale Restrictions*.

INVESTING IN UNITS

You may invest in the Fund by purchasing units through an authorized dealer or directly from us in certain circumstances. Units of the Fund are offered for sale in reliance on exemptions from the prospectus requirements of applicable securities laws. You will only be permitted to purchase units if your purchase qualifies for one of these exemptions. We rely on the representations you make in your subscription agreement to ensure that your purchase qualifies for these exemptions and to ensure that you are otherwise eligible to purchase units.

Subscriptions for units must be made by completing and executing the subscription agreement and supporting documentation, and sending such agreement and documentation together with payment of the aggregate subscription price to us, in accordance with the instructions contained in the subscription agreement.

You may acquire units of the Fund on a valuation date if we receive your subscription agreement and supporting documentation and payment by no later than 1:00 p.m. (Vancouver time) on such date.

We may in our discretion, refuse to accept your subscription to purchase units even if you provide us with the documentation and information prior to the deadline noted above. For example, we may refuse your subscription if we do not believe an investment in the Fund is appropriate for you. We may also close the Fund to new investors from time to time. If we have decided not to accept your subscription we will notify you of our decision within five business days of receiving the required documentation and information from you.

The purchase price of the units will be based on the applicable series net asset value per unit determined as at the close of business on the purchase date. See the section above called *Summary of the Trust Agreement – Determination of Series Net Asset Value*.

We have established minimum investment amounts for initial investments and additional investments. The applicable minimum investment amounts, as at the date of this Offering Memorandum are set out below. We may in our discretion waive the minimum investment amounts established by us, accept investments in other minimum amounts permitted under applicable securities laws, or require higher minimum investments than those set out below.

For investors resident or otherwise located in British Columbia, the minimum initial investment amount for any investor is \$25,000 and the minimum amount for any subsequent investment is \$10,000.

Any subscription funds received by us prior to the relevant purchase date will be held in the Fund's general bank account until purchase is completed, at which time the units subscribed for will be issued (if we have accepted your subscription). These funds will not be segregated for your account. You will not be entitled to any interest on any subscription funds delivered to us prior to the relevant purchase date. Any interest earned on such funds will belong to the Fund.

You will become a unitholder after we accept your subscription agreement and the Fund has received the purchase price for your units. The subscription amounts will be held in trust by us and released upon closing. Where required pursuant to National Instrument 45-106 *Prospectus Exemptions*, the subscription amount will be held in trust by us until midnight on the second business day after you sign the subscription agreement.

You and your professional advisors should review all subscription documents before you purchase units.

INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

The following is a fair summary of the principal Canadian federal income tax considerations as of the date hereof with respect to the acquisition, ownership and disposition of Units of the Fund generally applicable to an individual unitholder, other than a trust, who, for the purposes of the *Income Tax Act (Canada)* (“**Tax Act**”), is resident in Canada, deals at arm's length with the Fund and holds Units as capital property.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (“**Regulations**”), proposals for specific amendments to the Tax Act and the Regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof and the Manager's understanding of the current administrative practices and assessing policies of Canada Revenue Agency. This summary does not take into account or anticipate any other changes in law whether by legislative, regulatory, administrative or judicial action. This summary does not take into account provincial, territorial or foreign income tax legislation or considerations. The Fund is a unit trust and is a “registered investment” for purposes of the Tax Act. The Fund is not a specified investment flow-through trust (“**SIFT trust**”) for purposes of the Tax Act. This summary is based on the assumption that the Fund will qualify as a registered investment under the Tax Act at all material times. If the Fund were not to so qualify, the income tax consequences would differ materially from those described below.

The following summary is of a general nature only and is not intended to constitute advice to any particular investor. Each investor should seek independent advice regarding the tax consequences of investing in Units of the Fund, based upon the investor's own particular circumstances.

Taxation of the Fund

The Manager has advised that the Fund will distribute to unitholders in each year its net income and net realized taxable capital gains so that it will generally not be liable in any year for income tax under Part I of the Tax Act, after taking into account any applicable losses, tax refunds or credits. The Fund may be subject to the alternative minimum tax for the year. However, the tax can be carried forward seven years and is refundable to the extent that the Fund's regular federal income tax liability exceeds the minimum tax in those years.

If the Fund has one or more “designated beneficiaries” during a year it may be liable to tax under Part XII.2 of the Tax Act on its “designated income” for that year, as those terms are defined for purposes of Part XII.2 of the Tax Act. Generally, designated income will include income from real or immovable properties in Canada and taxable capital gains from dispositions of taxable Canadian property. Although it is

anticipated that the Fund will have one or more designated beneficiaries in each year, it is anticipated that the Fund will have minimal or no designated income.

Where at the end of a month the Fund holds a property that is not a qualified investment for a Registered Plan in respect of which the Fund is registered, the Fund will be liable to a tax under Part X.2 of the Tax Act, equal to one percent per month of the fair market value, at the time the property was acquired by the Fund, of the property.

Generally, gains and losses realized by the Fund from the use of certain derivative securities will be realized on income account rather than on capital account.

All of the Fund's deductible expenses, including expenses common to all classes of the Fund and management fees and other expenses specific to a particular class of the Fund, will be taken into account in determining the income or loss of the Fund as a whole.

Taxation of Unitholders

A unitholder will generally be required to include in computing income for a taxation year that portion of the net income and the taxable portion of the net capital gains of the Fund as was paid or payable to the unitholder in the year, whether or not such amount has been reinvested in additional Units.

Net taxable capital gains and foreign source income of the Fund and taxable dividends received by the Fund on shares of taxable Canadian corporations that are paid or payable to the unitholders (including such amounts reinvested in additional Units) may be designated by the Fund as taxable capital gains, foreign source income, and taxable dividends earned by the unitholders, respectively.

Taxable dividends received from Canadian corporations are subject to a gross-up and credit regime the effect of which is to make them subject to lower tax rates than ordinary income. Taxable dividends that are eligible dividends are subject to an enhanced regime and thus lower tax rates.

The Fund may invest in debt or shares of foreign corporations. Interest income and dividends paid to the Fund by a foreign corporation may be subject to a withholding tax payable to a foreign government. To the extent that the Fund so designates in accordance with the Tax Act, unitholders will be deemed to have received income from the foreign country and, for the purpose of computing foreign tax credits, be deemed to have paid a portion of the taxes withheld as foreign taxes paid to that country. The unitholder will include in their income the foreign source income gross of withholding taxes. Foreign source income is taxed as regular income for the purposes of the Tax Act. The Canadian tax payable by the unitholder on such foreign source income may be reduced by a credit in respect of the foreign taxes deemed paid on that income. Capital gains from the sale of foreign securities will generally not be subject to foreign withholding tax.

As part of its investment strategy, the Fund may invest in US corporate bonds. Under the US – Canada tax treaty, interest paid on such bonds will not be subject to withholding taxes. Capital gains from the sale of US securities will also generally not be subject to withholding taxes while US earned dividends are subject to a 15% withholding tax.

The Fund may invest in units of mutual funds, income trusts and other trusts. Net income and taxable capital gains that are allocated to the Fund by these investments will be included in computing the net income and taxable capital gains of the Fund, which in turn will be allocated to unitholders in the manner set out above.

If distributions from the Fund (other than as proceeds of disposition) are greater than a unitholder's share of the Fund's net income and the net realized taxable capital gains allocated by the Fund, the excess will be

a return of capital. A return of capital is not taxable, but will reduce the adjusted cost base of the unitholder's Units of the Fund.

The net asset value of a Unit may reflect income that has not yet been distributed and capital gains that have not yet been realized or distributed. If a unitholder purchases a Unit before a distribution of net income or net realized capital gains, the unitholder will be taxable on such distribution even if the amount of that distribution was reflected in the purchase price of the Units.

Generally, gains and losses realized by the Fund from the use of derivative securities will result in distributions of income rather than capital gains. Generally, one-half of a capital gain (or capital loss) is included in determining a unitholder's taxable capital gain (or allowable capital loss).

Upon the disposition or deemed disposition by a unitholder of a Unit (including a switch of a Unit of one series of the Fund for a Unit of another series of the Fund), whether by redemption or otherwise, a capital gain (or capital loss) will be realized to the extent that the proceeds of disposition (less any associated costs of disposition) exceed (or are less than) the adjusted cost base to the unitholder of the Unit. A change of Units of a series of the Fund into Units of a different series of the Fund is generally not considered a sale for tax purposes, so no capital gain or loss will result.

Under the alternative minimum tax provisions of the Tax Act, an individual may be required to pay a minimum tax computed by reference to the individual's "adjusted taxable income" for that year. In computing adjusted taxable income, an individual must generally include all taxable dividends (without application of the gross-up and credit treatment normally applied to such dividends) and 80% of capital gains. Whether and to what extent the tax liability of a unitholder may be increased by the alternative minimum tax will depend on the amount of the unitholder's income, the sources from which it is derived, and the nature and amount of any deductions claimed. Any additional tax payable by a unitholder for a year which results from the application of the minimum tax provisions may generally be carried forward and applied by the unitholder against his or her Part I tax otherwise payable in any of the seven immediately following taxation years.

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into between Canada and the United States (the "IGA"), and related Canadian legislation, the Fund and the Manager are required to report certain information with respect to unitholders who are U.S. residents and U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other "U.S. Persons" as defined under the IGA (excluding certain registered plans such as RRSPs), to the CRA. The CRA will then exchange the information with the U.S. Internal Revenue Service pursuant to the provisions of the Canada-U.S. Income Tax Treaty.

Pursuant to the implementation of the Common Reporting Standard developed by the Organisation of Economic Co-operation and Development starting on July 1, 2017, the Fund and the Manager may be required to report certain information with respect to unitholders who are resident in one of the participating approximately 100 jurisdictions to the CRA. The CRA will then exchange this information with each participating jurisdiction pursuant to the provisions of new Part XIX of the Tax Act.

Tax Deferral Plans

The Fund is a "registered investment" for purposes of the Tax Act and intends to maintain such registration. Accordingly, Units of the Fund are a qualified investment for Registered Plans. If Units of the Fund are held in a Registered Plan, distributions from the Fund and capital gains from a disposition of the Units will generally not be subject to tax under the Tax Act. Distributions from Registered Plans (other than

distributions from Tax Free Savings Accounts and certain distributions from Registered Education Savings Plans) are generally taxed as regular income in the year of distribution.

Notwithstanding that Units of the Fund may, at a particular time, be qualified investments for a trust governed by a Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF) or Tax Free Savings Account (TFSA), the holder of the TFSA or annuitant of the RRSP or RRIF, as the case may be (such holder or annuitant being a “Controlling Individual” of the TFSA, RRSP or RRIF), will be subject to a penalty tax with respect to Units held in the TFSA, RRSP or RRIF if such Units are “prohibited investments” for the TFSA, RRSP or RRIF within the meaning of the Tax Act. Provided that the Controlling Individual of a TFSA, RRSP or RRIF does not hold a “significant interest” (as defined in the Tax Act) in the Fund and provided that such holder deals at arm's length with the Fund for the purposes of the Tax Act, Units of the Fund will not be “prohibited investments” for the TFSA, RRSP or RRIF. In general terms, a Controlling Individual of a TFSA, RRSP or RRIF will have a significant interest in the Fund if the Controlling Individual, together with any other persons and partnerships with which the Controlling Individual does not deal at arm's length, hold, directly or indirectly through one or more trusts (including a Registered Plan), 10% or more of the outstanding Units of the Fund. Under amendments in the 2017 Federal Budget, this penalty tax now applies to the holder of an RDSP and the subscriber of an RESP with respect to investments acquired or held in the relevant plan after March 22, 2017.

Your dealer may charge you an up-front fee when you purchase your units. This fee is negotiated between you and your dealer but may not exceed 5% of the aggregate purchase price of your units.

COMPENSATION PAID TO SELLERS AND FINDERS

No selling commissions or fees will be paid by the Fund or us in connection with the sale of Series F, Series G or Series O units under this Offering Memorandum. However, if you acquire your Series A or Series B units through an approved salesperson of an authorized dealer, we will pay a service fee to that salesperson (or to the dealer for that salesperson) for on-going advice and service provided to you. We will pay this service fee for as long as you continue to hold Series A or Series B units through the authorized dealer. Service fees will be calculated and payable by us at least monthly and may be up to 1% of the net asset value of the units you hold.

We may pay an amount equal to a portion of the performance fee we receive to an approved salesperson of an authorized dealer (or to the dealer for that salesperson). The purpose of this performance-based servicing fee is to ensure that the dealer, its representatives and investors all have a common interest in the Fund performing well. Any such amounts would be calculated and payable annually based on the net asset value of units held by clients of the salesperson.

We may modify or discontinue any such arrangements at any time.

No commissions or fees are payable in connection with the redemption of your units, other than the redemption charge that may be payable to the Fund by unitholders who redeems units within the first year of purchase. See the section called *Description of Units – Redemption of Units*.

RISK FACTORS

The purchase of units involves a number of significant risks. You could lose all the money you invest. Only investors who can reasonably afford the risk of loss of their entire investment should consider the purchase of units. Certain risks associated with the purchase of units are described below. Investors should speak to a qualified advisor before making an investment.

Investment Risk

An investment in the Fund may be deemed speculative and is not intended as a complete investment program. A subscription for units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund. Investors should review closely the investment objective, strategies and restrictions to be utilized by the Fund as outlined herein.

Equity Risk

The Fund invests in equity securities. The value of equity securities is affected by specific company developments, by stock market conditions and by general economic and financial conditions in those countries where the investments are listed for trading. Investment funds which invest in equities generally tend to be more volatile than fixed income investment funds, and the value of their units may vary more widely than fixed income investment funds.

No Assurance

There is no guarantee that the Fund will be able to achieve its investment objective, or that the Fund will earn a positive return.

Dependence on the Manager and David Barr

The Fund relies upon the good faith and expertise of the Manager in providing investment advice and other services to the Fund. David Barr is the President, Chief Executive Officer and Director of the Manager and the portfolio manager of the Fund, and leads the investment team responsible for providing investment advice to the Fund on behalf of the Manager. If for any reason the Manager or David Barr is unable or unwilling to provide investment advice to the Fund, there could be significant adverse consequences to the Fund.

Limited Operating History

Although persons involved in the management of the Fund and the service providers to the Fund have had long experience in their respective fields of specialization, the Fund has a limited operating and performing history upon which prospective investors can evaluate the Fund's performance.

Lack of Portfolio Diversification

The Fund's portfolio will not necessarily be widely diversified. As a consequence, the portfolio of the Fund may be subject to more rapid change in value than if the Fund were required to maintain a wide diversification among companies, securities and types of securities.

Liquidity Risk

The Fund's portfolio may include a significant number of securities that are not actively and widely traded or which are subject to transfer restrictions or for which there is no market. Consequently, it may be relatively difficult for the Fund to dispose of investments rapidly at favourable prices, in connection with redemption requests, adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts.

Valuation of the Fund's Investments

The net asset value of the units will vary directly with the market value and return of the investment portfolio of the Fund. While the Fund is independently audited by the auditors on an annual basis in order to ensure as fair and accurate a pricing as possible, valuation of the portfolio securities and other investments may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the net asset value of the Fund and its units could be adversely affected. Independent pricing information may not at times be available regarding certain of the Fund's securities and other investments. Valuation determinations will be made in good faith in accordance with the valuation principles established by us from time to time. See the section above called *Summary of the Trust Agreement – Determination of Series Net Asset Value*.

Although the Fund generally will invest in exchange-traded and liquid over-the-counter securities, the Fund may from time to time have some of its assets in investments that by their very nature may be difficult to value accurately. To the extent that the value assigned by the Fund to any such investment differs from the actual value, the net asset value per unit may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that if you may redeem all or part of your units while the Fund holds such investments, you will be paid an amount less than you might have been paid if the actual value of such investments is higher than the value designated by the Fund. Similarly, there is a risk that an investor might, in effect, be overpaid if the actual value of the investor's investments is lower than the value designated by the Fund in respect of a redemption. In addition, there is risk that an investment in the Fund by a new investor (or an additional investment by an existing unitholder) could dilute the value of your investment if the actual value of such investments is higher than the value designated by the Fund. Further, there is risk that a new unitholder (or an existing unitholder who makes an additional investment) could pay more than it might otherwise if the actual value of such investments is lower than the value designated by the Fund. We do not intend to adjust the net asset value of the Fund retroactively.

Series Risk

The Fund has different series of units. If the Fund cannot pay the fees and expenses attributable to one series of units using the proportionate share of the Fund's assets attributable to that series, the Fund will be required to pay those fees and expenses out of one or more of the other proportionate share of the Fund's assets. This may reduce the value of your investment in the Fund.

Illiquidity of Units

Because units are not generally transferable, an investment in the Fund is a relatively illiquid investment and involves a high degree of risk. There is currently no market for the units being offered pursuant to this offering and it is not anticipated that any market will develop. The units are issued pursuant to exemptions from the prospectus requirements under applicable securities laws, and any disposition of units will require compliance with those laws. Furthermore, the units are subject to transfer and resale restrictions. You may be able to dispose of your units only through redemption, and you must bear the risk of any decline in the value of the units during the period from the date a notice of redemption is given by you until the redemption date. In addition, the transfer of units may result in adverse tax consequences to you. See the section above called *Income Tax Consequences and RRSP Eligibility*. You should only purchase units if you are able to maintain your investment and can afford the risk of loss associated with an investment in the Fund. Purchasers should be prepared to hold these securities indefinitely and cannot expect to be able to liquidate their investment in the case of an emergency. Accordingly, an investment in the units being sold pursuant to this offering is suitable solely for persons able to make and bear the economic risk of a long-term investment.

Redemptions May Force Early Liquidation of Investment Positions

In order to pay the redemption price for unitholders who redeem their units, we may be required to liquidate investments earlier than we might otherwise choose. These liquidations may cause the Fund to incur losses and could substantially reduce the net asset value of the Fund if numerous redemptions are made at the same time. Substantial redemptions by investors within a short period of time could have a material adverse effect on the Fund. Such asset liquidation may also trigger tax consequences, such as the characterization of certain profits as ordinary income or losses rather than as capital gains or capital losses.

Portfolio Turnover

The operation of the Fund may result in a high annual portfolio turnover rate. The Fund has not placed any limit on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Manager, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate (e.g., greater transaction costs such as brokerage fees).

Performance Fee

The payment of the performance fee to the Manager may create an incentive for it to cause the Fund to make investments that are riskier or more speculative than if there were no performance fee. Since the performance fee is calculated on a basis that includes unrealized appreciation of the Fund's assets, the fee may be greater than if it were based solely on realized gains. In addition, the ordinary income of the Fund (including dividends and interest received) is included in the calculation of the fee. See the section above called *Management of the Fund – Fees*.

Derivatives

The Fund will invest in and use derivative instruments for hedging and non-hedging purposes to the extent considered appropriate by us, as Manager of the Fund. Derivatives are types of investments the value of which is based on, or derived from, the value or performance of another investment, such as a security, a currency, a commodity or a market index. There are many types of derivatives, including options, futures and forward contracts.

Investment funds often invest in derivatives to reduce the risks associated with other investments or to help offset losses on other investments. The use of derivatives in this way is referred to as “hedging”. Investment funds may also use derivatives for other reasons, including helping to achieve their investment objectives, increasing returns, reducing the transaction costs associated with direct investments and positioning the funds to profit from declining markets. Although the use of derivatives for hedging or other purposes can be effective, derivatives also have certain risks, including the risks set forth below.

- There is no guarantee that the use of derivatives for hedging will be effective.
- Hedging does not prevent changes in the market value of the investments in the Fund's portfolio or prevent losses if the market value of the investments falls.
- Hedging can prevent the Fund from making a gain if the value of the underlying security, currency, commodity or market index rises, or if interest rates fall.
- The Fund might not be able to place a hedge if other investors are expecting the same change.

- There is no guarantee that the Fund will be able to buy or sell a derivative to make a profit or limit a loss.
- There is no guarantee that the other party to a derivative contract will meet its obligations.
- Derivatives traded on foreign markets may be less liquid and have greater credit risk than similar derivatives traded on North American markets.
- Exchanges set daily trading limits on options and futures contracts, and these limits could prevent the Fund from completing a contract.
- The cost of a particular derivatives contract may increase.
- The price of a derivative may not accurately reflect the value of the underlying security or index.
- The Tax Act, or its interpretation, may change in respect of the tax treatment of derivatives.
- A large percentage of the assets of the Fund may be placed on deposit with one or more counterparties which would expose the Fund to the credit risk of those counterparties.

Leverage

The Fund may leverage its investment positions by borrowing funds. Leverage increases both the possibility for profit and the risk of loss on any investment position.

Foreign Investment Risks

The Fund intends to invest a portion of its capital in U.S. and other foreign securities. As a result, income or losses may be affected by fluctuations in the rates of exchange between the Canadian dollar and the foreign currencies of the countries in which the Fund holds investments. We may or may not hedge the currency risks for significant investment transactions denominated in currencies other than Canadian dollars.

The values of foreign investments are affected by changes in currency rates or exchange control regulations, application of foreign tax laws, including withholding taxes, changes in governmental administration or economic or monetary policy (in Canada or abroad) or changed circumstances in dealings between nations. Costs are incurred in connection with conversions between various currencies. In addition, foreign brokerage commissions are generally higher than in Canada, and foreign securities markets may be less liquid, more volatile and less subject to governmental supervision than in Canada. Investments in foreign countries could be affected by other factors not present in Canada, including expropriation, confiscatory taxation, lack of uniform accounting and auditing standards, and potential difficulties in enforcing contractual obligations, and could be subject to extended settlement periods. Furthermore, the value of securities that are issued by a company in a developing market may be lower, as they may be less liquid and more volatile than those issued by similar companies in North America. In general, investments in more developed markets, such as Western Europe, have lower foreign market risk, whereas investments in emerging markets, such as Southeast Asia or Latin America, have higher foreign market risk.

Political Risk

Political risk is the risk that a certain industry or company within that industry may be negatively impacted by legislative change. Relevant risk factors include the imposition of new taxes, regulatory or legal obligations or industry related restrictions.

Potential Conflicts of Interest

We also act as the Manager and portfolio adviser for other investment funds, and as the portfolio adviser for our investment advisory clients. Situations may arise in which our activities on behalf of other clients may disadvantage the Fund, such as an inability of the market to fully absorb orders for the purchase or sale of particular investments placed for the Fund and other clients at prices and in quantities which would be obtainable if the same were being placed only for the Fund.

Allocation of Investment Opportunities

The size and mandate of the various funds that the Manager and David Barr advise differ and the portfolios are not identical. As a consequence, we may purchase or sell a security for one account prior to other accounts. This could occur, for example, as a result of the specific investment objectives of the account, different cash resources arising from contributions or withdrawals, or the purchase of a small position to assess the overall investment desirability of a security. If the availability of any particular security is limited and that security is appropriate for the investment objective of one or more other accounts, any purchase of that security will be allocated on an equitable basis in accordance with the policies and procedures we establish from time to time.

Absence of Regulatory Oversight

As the Fund currently only offers units by way of private placement, its activities are not governed by National Instrument 81-102 of the Canadian Securities Administrators, which regulates the activities of mutual funds which have offered securities to the public pursuant to a prospectus.

Net Asset Value

The net asset value of the Fund will fluctuate with changes in the market value of the Fund's investments. These changes in market value may occur as the result of various factors, including general economic and market conditions, international currency fluctuations and international developments. Accordingly, the net asset value per unit at any valuation date may be more or less than your original purchase price.

No Independent Management

The Fund does not have independent management and will be relying on us, in our capacity as Manager of the Fund, for the day-to-day management and operations of the Fund, and to advise on the purchase and sale of securities for the Fund. We will have conflicts of interest in allocating management time, services and functions among the Fund and any other funds and portfolios which we organize, or provide management services to, as well as other business ventures in which we are or may become involved. Further, the officers and directors of the Manager will devote only such time to the affairs of the Fund as they, within their sole discretion, exercised in good faith, determine to be necessary to carry out their obligations to the Fund. The individuals responsible for providing advice to the Fund on our behalf will allocate their time between the Fund and other clients as they see appropriate.

Personal Trading

The Manager and its directors and officers may personally invest in the same securities as those invested in by the Fund. If this occurs, there may be a conflict between the Manager or the director or officer's interests and the interests of the Fund in terms of the timing of trades and the availability of investments. If such situations arise, the Manager and its directors and officers will be governed by the policies and procedures we adopt to manage the conflicts that arise in these circumstances.

Shareholder Activism

From time to time, we identify issuers with features that we believe depress the fundamental value of the issuer and its securities. In those circumstances, we will take a position in that issuer, sometimes a material position, and may initiate or work with other key shareholders in initiating corporate change. Although we will act prudently and in accordance with applicable laws, such shareholder activism opens us, and possibly the Fund and other funds and managed accounts on whose behalf we are acting, to certain risks, including the risk of litigation by existing management or other shareholders, the risk that trading in such issuers' securities may become suspended, and the risk that the Fund's investment in such issuers will be treated as part of a larger control block and subject to statutory restrictions on liquidity.

Use of a Prime Broker

The assets of the Fund will be held by the prime broker in one or more margin accounts due to the fact that the Fund may from time to time sell securities short. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The prime broker may also lend, pledge or hypothecate the assets of the Fund in such accounts, which may result in a potential loss of such assets. As a result, the assets of the Fund could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, the Fund may experience losses due to insufficient assets of the prime broker to satisfy the claims of its creditors. In addition, the possibility of adverse market movements while its positions cannot be traded could adversely affect the total return to the Fund.

Selection of Dealers

We have pre-existing relationships with certain dealers. It is possible that we may be biased in our selection of dealers based on these past relationships, or by certain incentives offered by some dealers. This may result in the commissions paid by the Fund being somewhat higher than those that might be charged by different dealers. However, we will endeavour to select dealers to execute trades on behalf of the Fund based on their ability to execute trades, and will do so in accordance with the related policies and procedures we adopt from time to time.

Credit Risk

The Fund may, from time to time, invest a portion of its assets in debt securities. When the Fund invests in debt securities, such as bonds, it is essentially making a loan to the company or the government issuing the security. The financial condition of an issuer of a debt security may cause it to default or become unable to pay interest or principal due on the security. If an issuer defaults, the affected security could lose all of its value, be renegotiated at a lower interest rate or principal amount, or become illiquid. Furthermore, debt securities are often rated by organizations such as Standard & Poor's, and if a security's rating is downgraded because the rating service feels the issuer may not be able to pay investors back, the value of that investment may fall. Higher yielding debt securities of lower credit quality have greater credit risk than lower yielding securities with higher credit quality.

Income Trust Risk

The Fund may, from time to time, invest in income trusts. Income trusts commonly hold debt or equity securities in, or are entitled to receive royalties or distributions from, an underlying active business. Income trusts generally fall into four sectors: business trusts, utility trusts, resource trusts and real estate investment trusts. Investments in income trusts are subject to the same risks as other equity investments. Many of these risks are described above.

Investments in income trusts will have varying degrees of risk depending on the sector and the underlying assets. They will also be subject to general risks associated with business cycles, commodity prices, interest rates and other economic factors.

Returns on income trusts are neither fixed nor guaranteed. Typically income trusts and other securities that are expected to distribute income are more volatile than fixed-income securities and preferred shares. The value of income trust units may decline significantly if they are unable to meet their distribution targets. To the extent that claims against an income trust are not satisfied by the trust, investors in the income trust (which include a fund that invests in the income trust), could be held responsible for such obligations. Some, but not all, jurisdictions have enacted legislation to protect investors from some of this liability.

Lack of Focus on Ordinary Income

Any interest and dividends earned by the Fund on its investments will be incidental to the accomplishment of its primary investment objective. All income and capital gains distributions will be reinvested. An investment in the Fund is not suitable for unitholders seeking current returns for financial or tax-planning purposes, and should be considered only by persons who are financially able to maintain their investment in the Fund over an extended period.

Lack of Separate Counsel

Legal counsel for the Fund in connection with this offering is also counsel to the Manager. Neither the unitholders, as a group, nor the holders of any series of units have been represented by separate counsel, and counsel for the Fund and the Manager does not purport to have acted for the unitholders or the holders of any series of units or to have conducted any investigation or review on their behalf.

Suspension of Redemptions

We have the authority to suspend your right to redeem units or your right to payment for units previously tendered for redemption if we determine that conditions exist that render impractical the sale of any of the Fund's assets, or impair the ability to determine the value of any of the assets of the Fund. See *Redemption of Units* above for more information.

Mutual Fund Status

In order to qualify as a mutual fund trust under the Tax Act, the Fund must have at least 150 unitholders each holding a prescribed number, and value, of units. In the event that the Fund does not so qualify, there would be adverse tax consequences to the Fund and the unitholders. Among other things, the Fund units may not be qualified investments for RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs, causing annuitants and holders of such plans to have an income inclusion. Further, an election by the Fund under subsection 39(4) of the Tax Act may be disallowed, redemption proceeds may be subject to Canadian withholding tax and the Fund may be subject to Part XII.2 tax and alternative minimum tax. Taxpayers should consult their own tax advisors regarding this risk prior to investing in the Fund.

Legal, Tax and Regulatory Risks

Legal, tax and regulatory changes to laws or administrative practice could occur during the term of the Fund which may adversely affect the Fund. For example, the regulatory or tax environment for derivative instruments is evolving, and changes in the regulation or taxation of derivative instruments may adversely affect the value of derivative instruments held by the Fund and the ability of the Fund to pursue its investment strategies. Interpretation of the law or administrative practice may affect the characterization of the Fund's earnings as capital gains or income which may increase the level of tax borne by investors as a result of increased taxable distributions from the Fund. There can be no assurance that the Canadian federal income tax laws and administrative policies and assessing practices of the Canada Revenue Agency respecting the treatment of trusts, including mutual fund trusts, will not be changed in a manner that adversely affects unitholders of the Fund. If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the section ***Income Tax Consequences and RRSP Eligibility*** would be materially and adversely different in certain respects.

Additionally, if the Fund experiences a "loss restriction event" (i) the Fund will be deemed to have a year-end for tax purposes, and (ii) the Fund will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, the Fund will be subject to a loss restriction event when a person becomes a "majority-interest beneficiary" of the Fund, or a group of persons becomes a "majority-interest group of beneficiaries" of the Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate modifications. Generally, a majority-interest beneficiary of the Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, in the Fund.

Pursuant to the recent Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into between Canada and the U.S. (the "IGA"), and related Canadian legislation, the Fund and the Manager are required to report certain information with respect to unitholders who are U.S. residents and U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other "U.S. Persons" as defined under the IGA (excluding registered plans such as RRSPs), to the Canada Revenue Agency ("CRA"). The CRA will then exchange the information with the U.S. Internal Revenue Service.

Cyber Security

The information and technology systems of the Manager and the fund administrator may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Manager has implemented, and the fund administrator may maintain, various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Manager and/or the fund administrator may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Manager's, the Fund's and the fund administrator's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Manager's and/or the fund administrator's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

REPORTING OBLIGATIONS TO UNITHOLDERS

Delivery of Financial Statements

As the Fund is not a “reporting issuer” under applicable securities laws, the continuous reporting requirements under those laws do not apply to the Fund. The Fund intends to prepare and make available to unitholders annual audited financial statements within 90 days of the end of each fiscal year, or as otherwise may be required by law. The Fund’s fiscal year end is currently December 31st. The financial statements of the Fund will be available on our website at www.penderfund.com. You may request a printed copy of the financial statements by contacting us at the address, numbers or e-mail address set out on the front cover.

Information for Income Tax Returns

Each year we will provide unitholders with the information required by applicable laws to assist unitholders in completing their income tax returns.

RESALE RESTRICTIONS

Units are subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus requirements under securities legislation. **However, we note that securities legislation in Canada does contain exemptions that will permit you to redeem your units.** See the section above called *Description of Units – Redemption of Units*.

Unless permitted under securities legislation, you cannot trade units before the date that is four months and a day after the date that the Fund becomes a reporting issuer in any province or territory of Canada. For trades in Manitoba, unless permitted under securities legislation, you must not trade in the units without the prior written consent of the regulator in Manitoba unless: (a) the Fund has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or (b) you have held the securities for at least 12 months. The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest. Again, we note that securities legislation will permit you to redeem your units. See the section above called *Description of Units – Redemption of Units*.

PURCHASERS’ RIGHTS

If you purchase units, you will have certain rights, some of which are described below. For information about your rights, you should consult a lawyer. The following summaries of investors’ legal rights are subject to the express provisions of the securities laws of the applicable province or territory in which they are resident and reference is made thereto for the complete text of such provisions. The rights of action described below are in addition to and without derogation from any right or remedy available at law to the investor and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defences contained therein.

Two Day Cancellation Right

You can cancel your agreement to purchase units. To do so, you must send a notice to us by midnight on the second business day after you sign the agreement to buy units.

Statutory Rights of Action

For purposes of the following summaries, “**misrepresentation**” means an untrue statement of a material fact or an omission to state a material fact that is necessary in order to make a statement not misleading in light of the circumstances in which it was made.

If this offering memorandum, together with any amendment hereto is delivered to you, and contains a misrepresentation and it was a misrepresentation at the time of purchase, the purchaser will be deemed to have relied upon the misrepresentation and will have a right of action against the Fund, the Manager and every person who signed this offering memorandum for damages or, alternatively, while still the owner of the purchased units, for rescission against the Fund, provided that:

1. no action may be commenced to enforce a right of action:
 - (a) for rescission more than 180 days after the date of the purchase; or
 - (b) for damages more than the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of purchase;
2. no person or company will be liable if the person or company proves that the purchaser purchased the units with knowledge of the misrepresentation;
3. no person or company (but excluding the Fund) will be liable if the person or company proves that (i) the offering memorandum was delivered to the purchaser without the person’s or company’s knowledge or consent and that, on becoming aware of its delivery, the person or company gave written notice to the Fund that it was delivered without the person’s or company’s knowledge or consent, (ii) on becoming aware of any misrepresentation in the offering memorandum, the person or company withdrew the person’s or company’s consent to the offering memorandum and gave written notice to the Fund of the withdrawal and the reason for it, or (iii) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
4. no person or company (but excluding the Fund) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of expert unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or believed that there had been a misrepresentation;
5. in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves does not represent the depreciation in value of the units as a result of the misrepresentation; and
6. in no case will the amount recoverable exceed the price at which the units were sold to the purchaser.

FINANCIAL STATEMENTS

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Financial Statements of

PENDER SELECT IDEAS FUND

Year ended December 31, 2017



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Pender Select Ideas Fund

We have audited the accompanying financial statements of Pender Select Ideas Fund which comprise the statement of financial position as at December 31, 2017, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year 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 audit. We conducted our audit 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 the Manager, as well as evaluating the overall presentation of the financial statements.

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



Pender Select Ideas Fund
Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pender Select Ideas Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

March 28, 2018
Vancouver, Canada

PENDER SELECT IDEAS FUND

Statements of Financial Position

As at December 31, 2017, with comparative information for 2016

	Notes	2017	2016
Assets			
Cash		\$ 651,822	\$ 670,724
Subscriptions receivable		130,000	10,000
Dividends receivable		1,039	905
Interest receivable		4,653	10,798
Other receivable	4	10,373	-
Investments		6,152,768	3,598,278
		6,950,655	4,290,705
Liabilities			
Management and administration fees payable	4	1,218	1,680
Other payable		15,855	-
Distributions payable to holders of redeemable units		1,946	5,484
Performance fee payable		-	12,946
		19,019	20,110
Net assets , attributable to holders of redeemable units		\$ 6,931,636	\$ 4,270,595
Net assets attributable to holders of redeemable units per series:			
Series A		\$ 958,089	\$ 536,614
Series B		5,569	5,000
Series F		4,242,430	2,344,142
Series G		110,323	5,000
Series O		1,615,225	1,379,839
		\$ 6,931,636	\$ 4,270,595
Net assets attributable to holders of redeemable units per unit:			
Series A		\$ 11.57	\$ 10.59
Series B		11.12	10.00
Series F		11.46	10.53
Series G		11.00	10.00
Series O		11.64	10.91

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 SELECT IDEAS FUND

Statements of Comprehensive Income

For the year ended December 31, 2017, with comparative information for 2016

	Notes	2017	2016
Revenue:			
Dividend income		\$ 14,562	\$ 71,427
Interest income		4,567	15,183
Foreign exchange gain (loss)		(12,887)	4,593
Changes in fair value of investments:			
Net realized gain		522,452	518,173
Net change in unrealized appreciation (depreciation)		160,163	221,824
Total revenue		688,857	831,200
Expenses:			
Management fees	4	7,561	5,442
Administration fees		22,244	13,651
Performance fees		98,092	12,946
Transaction costs		16,378	16,318
Other taxes		15,855	-
Withholding taxes		960	8,826
Total expenses		161,090	57,183
Increase in net assets attributable to holders of redeemable units			
		\$ 527,767	\$ 774,017
Increase in net assets attributable to holders of redeemable units per series:			
Series A		\$ 56,258	\$ 107,420
Series B		617	-
Series F		254,840	396,966
Series G		6,427	-
Series O		209,625	269,631
		\$ 527,767	\$ 774,017
Increase in net assets attributable to holders of redeemable units per unit:			
Series A		\$ 0.85	\$ 2.08
Series B		1.23	-
Series F		0.90	1.98
Series G		0.71	-
Series O		1.68	4.00

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

PENDER SELECT IDEAS FUND

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

For the year ended December 31, 2017, with comparative information for 2016

Series A	2017	2016
Balance, beginning of year	\$ 536,614	\$ 537,200
Increase in net assets attributable to holders of redeemable units	56,258	107,420
Unit transactions:		
Proceeds from issue of redeemable units	366,091	27,680
Issued on reinvestment of distributions	15,442	62,248
Amounts paid on redemption of redeemable units	-	(132,300)
	381,533	(42,372)
Distributions paid from:		
Net investment income	-	(467)
Realized gains on sale of investments	(16,316)	(65,167)
Return of capital	-	-
	(16,316)	(65,634)
Balance, end of year	\$ 958,089	\$ 536,614
Series B	2017	2016
Balance, beginning of year	\$ 5,000	\$ -
Increase in net assets attributable to holders of redeemable units	617	-
Unit transactions:		
Proceeds from issue of redeemable units	-	5,000
Issued on reinvestment of distributions	8	-
Amounts paid on redemption of redeemable units	-	-
	8	5,000
Distributions paid from:		
Net investment income	(56)	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	(56)	-
Balance, end of year	\$ 5,569	\$ 5,000
Series F	2017	2016
Balance, beginning of year	\$ 2,344,142	\$ 2,300,002
Increase in net assets attributable to holders of redeemable units	254,840	396,966
Unit transactions:		
Proceeds from issue of redeemable units	1,820,501	744,696
Issued on reinvestment of distributions	117,026	313,968
Amounts paid on redemption of redeemable units	(176,622)	(1,100,123)
	1,760,905	(41,459)
Distributions paid from:		
Net investment income	(780)	(27,256)
Realized gains on sale of investments	(116,677)	(284,111)
Return of capital	-	-
	(117,457)	(311,367)
Balance, end of year	\$ 4,242,430	\$ 2,344,142

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

PENDER SELECT IDEAS FUND

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

For the year ended December 31, 2017, with comparative information for 2016

Series G	2017	2016
Balance, beginning of year	\$ 5,000	\$ -
Increase in net assets attributable to holders of redeemable units	6,427	-
Unit transactions:		
Proceeds from issue of redeemable units	100,000	5,000
Issued on reinvestment of distributions	1,952	-
Amounts paid on redemption of redeemable units	-	-
	101,952	5,000
Distributions paid from:		
Net investment income	(1,110)	-
Realized gains on sale of investments	(1,946)	-
Return of capital	-	-
	(3,056)	-
Balance, end of year	\$ 110,323	\$ 5,000
Series O	2017	2016
Balance, beginning of year	\$ 1,379,839	\$ 101,428
Increase in net assets attributable to holders of redeemable units	209,625	269,631
Unit transactions:		
Proceeds from issue of redeemable units	102,999	1,062,022
Issued on reinvestment of distributions	127,027	194,212
Amounts paid on redemption of redeemable units	(77,238)	(53,242)
	152,788	1,202,992
Distributions paid from:		
Net investment income	-	(28,076)
Realized gains on sale of investments	(127,027)	(166,136)
Return of capital	-	-
	(127,027)	(194,212)
Balance, end of year	\$ 1,615,225	\$ 1,379,839

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

PENDER SELECT IDEAS FUND

Statements of Cash Flows

For the year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating:		
Increase in net assets attributable to holders of redeemable units	\$ 527,767	\$ 774,017
Adjustments for:		
Dividend income	(14,562)	(71,427)
Interest income	(4,567)	(15,183)
Foreign exchange (gain) loss	12,887	(4,593)
Change in unrealized (appreciation) depreciation of investments	(160,163)	(221,824)
Net realized gain on sale of investments	(522,452)	(518,173)
Other receivable	(10,373)	-
Management and administration fees payable	(462)	4,823
Distributions payable to holders of redeemable units	(3,538)	4,699
Other payable	15,855	-
Performance fees payable	(12,946)	-
Proceeds on disposal of investments	3,712,491	2,534,925
Amounts paid on purchase of investments	(5,584,366)	(2,922,468)
Dividends received	14,428	71,192
Interest received	10,712	4,393
	(2,019,289)	(359,619)
Financing:		
Proceeds from issue of redeemable units	2,269,591	1,874,398
Payments on redemption of redeemable units	(253,860)	(1,285,665)
Distributions paid to unitholders	(2,457)	(577)
	2,013,274	588,156
Net increase (decrease) in cash	(6,015)	228,537
Cash, beginning of year	670,724	437,594
Effect of exchange rate fluctuations on cash	(12,887)	4,593
Cash, end of year	\$ 651,822	\$ 670,724

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

PENDER SELECT IDEAS FUND

Schedule of Investment Portfolio

December 31, 2017

	Number of shares	Cost	Fair value
Equities:			
Consumer discretionary (4.4%):			
Freshii Inc.	4,760	\$ 28,511	\$ 34,938
LiLAC Group	10,800	333,544	272,667
		362,055	307,605
Consumer staples (4.1%):			
GreenSpace Brands Inc.	201,200	241,440	283,692
		241,440	283,692
Energy (3.7%):			
Neulion Inc.	379,600	202,656	197,392
Questor Technology Inc.	22,300	75,557	60,210
		278,213	257,602
Healthcare (7.8%):			
Medicare Inc.	72,850	483,112	542,733
		483,112	542,733
Industrials (3.8%):			
Colfax Corp.	3,180	137,434	157,861
INSCAPE Corp.	33,542	108,380	103,980
		245,814	261,841
Information technology (39.1%):			
Critical Control Energy Services Corp.	1,255,700	188,455	219,748
Espial Group Inc.	280,197	642,434	563,196
Mattersight Corp.	64,904	247,281	207,370
ProntoForms Corp.	1,646,000	471,245	576,100
Quantum Corp.	59,100	336,749	416,900
Redline Communications Group Inc.	89,400	150,598	142,146
Sierra Wireless Inc.	11,486	310,480	295,190
Siyata Mobile Inc.	92,200	36,880	50,710
Syntel Inc.	8,263	246,834	238,018
		2,630,956	2,709,378
Materials (3.3%):			
Platform Specialty Products Corp.	18,100	304,664	224,970
		304,664	224,970
Real estate (8.4%):			
Consolidated-Tomoka Land Co.	1,550	107,568	123,322
The Howard Hughes Corp.	2,800	398,121	460,529
		505,689	583,851
Telecommunications services (3.8%):			
TeraGo Inc.	60,600	227,856	266,034
		227,856	266,034
Utilities (1.2%):			
Polaris Infrastructure Inc.	4,898	39,184	85,176
		39,184	85,176
Total equities (79.7%)		\$ 5,318,983	\$ 5,522,882

PENDER SELECT IDEAS FUND

Schedule of Investment Portfolio (continued)

December 31, 2017

	Coupon rate / price	Maturity / expiry date	Face value / number of shares	Cost	Fair value
Canadian bonds:					
Corporate (4.6%):					
Commonwealth of Puerto Rico	8.00%	2035/07/01	700,000	\$ 242,421	\$ 204,882
GuestLogix Inc.	7.00%	2019/12/31	170,000	82,586	3,400
ViXS Systems Inc.	10.00%	2020/01/12	111,000	111,000	111,000
Total Canadian bonds				\$ 436,007	\$ 319,282
Other investments:					
Warrants (4.5%):					
American International Group	\$ 45.00	2021/01/19	12,800	\$ 299,587	\$ 290,604
Energy Fuels Inc.	3.20	2019/03/14	8,250	-	-
Patient Home Monitoring Corp.	1.80	2018/05/04	14,400	-	-
Siyata Mobile Inc.	0.50	2019/03/16	500,000	-	20,000
Total other investments				\$ 299,587	\$ 310,604
Less: Transaction costs included in cost of investments				(9,615)	-
Total investments (88.8%)				\$ 6,044,962	\$ 6,152,768
Cash (9.4%)					\$ 651,822
Other assets less liabilities (1.8%)					127,046
Total net assets attributable to holders of redeemable units (100.0%)					\$ 6,931,636

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

PENDER SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

1. The Fund:

Pender Select Ideas Fund (the "Fund") was formed on September 16, 2014. The Fund is an open-end investment fund governed under the laws of the Province of British Columbia pursuant to the First Amended and Restated Master Trust Agreement (the "Trust Agreement") dated December 30, 2016 between Computershare Trust Company of Canada (the "Trustee") and PenderFund Capital Management Ltd. The Fund invests primarily in a diversified portfolio of equity securities issued by companies listed on major North American stock exchanges, unlisted investment funds, fixed and variable income securities, and derivatives, with the objective of providing shareholders with above-average returns over the long-term. The prime broker of the Fund is TD Securities Inc.

The address of the Fund's head office is 1640 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

The Manager of the Fund is PenderFund Capital Management Ltd. (the "Manager").

2. Basis of preparation:

(a) Statement of compliance:

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards ("IFRS"). The 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 Fund's 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.

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

The Fund 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.

PENDER SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

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 and 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 years depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of the 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 FVTPL are recognized initially on the trade date, which is the date on which the Fund becomes 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 Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

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

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

(ii) Held-for-trading and fair value through profit or loss:

Financial instruments classified as HFT or FVTPL are subsequently measured at fair value at each reporting year with changes in fair value recognized in the Statements of Comprehensive Income in the year in which they occur. The Fund’s derivatives are classified as HFT. The Fund’s 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 Fund uses 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.

PENDER SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(ii) Held-for-trading and fair value through profit or loss (continued):

The Fund's 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, is determined using valuation techniques. Valuation techniques also 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 Fund classifies 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 Fund classifies all liabilities, other than investments sold short and derivatives, as other financial liabilities.

(b) Redeemable units:

The Fund classifies 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 redemption amount, provide unitholders with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's 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 in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the year.

PENDER SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

3. Significant accounting policies (continued):

(d) Foreign exchange:

The financial statements of the Fund 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.

(e) 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.

(f) Income taxes:

The Fund qualifies as a unit trust under the *Income Tax Act (Canada)*. All of the Fund's 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 Fund. As a result, the Fund does not record income taxes.

(g) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Fund.

IFRS 9 deals with recognition, derecognition, classification and measurement of financial instruments and its requirements represent a significant change from the existing requirements in IAS 39 - *Financial Instruments: Recognition and Measurement*, in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

The standard is effective for annual periods beginning on or after January 1, 2018. The Fund intends to adopt IFRS 9 in its financial statements for the financial reporting periods beginning on January 1, 2018.

PENDER SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

3. Significant accounting policies (continued):

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

Based on the Manager's assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Fund. This is because:

- the financial instruments currently measured at FVTPL under IAS 39 that were designated into this category, because they are managed on a fair value basis in accordance with a documented investment strategy, will be mandatorily measured at FVTPL under IFRS 9; and
- other financial instruments currently measured at amortised cost under IAS 39 will continue to be classified as such under IFRS 9.

4. Related party transactions:

The Fund pays a management fee to the Manager in respect of Series A, Series B and Series G units of the Fund. The management fee is calculated as an annualized percentage of the NAV of Series A, Series B and Series G units of the Fund. The annual management fee percentage for Series A, Series B and Series G are 1.00%, 2.00% and 1.00%, respectively. The Fund does not pay a management fee to the Manager in respect of Series F or Series O units of the Fund.

The Manager is also entitled to a performance fee in respect of Series A, Series B, Series F and Series G units, in certain circumstances, based on achieving certain performance criteria set out in the Fund's management agreement. The performance fee is equal to 25% for Series A and Series F, and 20% for Series B and Series G, of the net increase, if any, in the respective series' net asset value in excess of the respective series' previous high watermark and an annualized 6% minimum return threshold. The high watermark is the highest year-end series net asset value for the respective series on which a performance fee has previously been paid. The performance fee will be calculated monthly and paid semi-annually.

The Fund pays the Manager an administration fee equal to 0.50% of NAV of Series A, Series B, Series F and Series G of the Fund. In exchange for the fee, the Manager will pay for the Fund's operating costs (including GST/HST, registrar and transfer agency fees, custody fees, unitholder servicing costs, costs of offering documents, regulatory fees, audit and legal fees, and other administrative and operating expenses) other than portfolio-related expenses such as interest, carrying costs, withholding and other taxes and transaction costs.

No management, performance or administrative fees are charged to the Fund in respect of Series O units. Such fees are negotiable and paid by Series O unitholders outside of the Fund.

As at December 31, 2017, parties related to the Manager directly or indirectly held 8% (2016 - 5%) of the Fund's outstanding units. 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, the Fund had management and administration fees payable to the Manager of \$1,218 (2016 - \$1,680), and performance fee adjustment receivable of \$10,373 (2016 - performance fee payable of \$12,946).

PENDER SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

4. Related party transactions (continued):

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.

5. Withholding tax expense:

Certain dividend and interest for distribution purposes received by the Fund is 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%).

6. Redeemable units:

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

2017	Outstanding units, beginning of year	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of year
Series A	50,668	30,767	1,340	-	82,775
Series B	500	-	1	-	501
Series F	222,517	152,359	10,215	(14,820)	370,271
Series G	500	9,355	178	-	10,033
Series O	126,488	7,685	10,916	(6,281)	138,808

2016	Outstanding units, beginning of year	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of year
Series A	54,406	2,572	5,878	(12,188)	50,668
Series B	-	500	-	-	500
Series F	232,555	118,899	29,846	(158,783)	222,517
Series G	-	500	-	-	500
Series O	9,918	103,727	17,803	(4,960)	126,488

7. Capital management:

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

PENDER SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

8. 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 Fund determines 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 Fund 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 Fund uses widely recognized valuation models for determining the fair value of common and more 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 over-the-counter 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 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 Fund uses 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 SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

8. 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.

(b) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments at fair value at the reporting date 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 are recurring.

2017	Level 1	Level 2	Level 3	Total
Equities	\$ 5,522,882	\$ -	\$ -	\$ 5,522,882
Bonds	204,882	-	114,400	319,282
Warrants	310,604	-	-	310,604
	\$ 6,038,368	\$ -	\$ 114,400	\$ 6,152,768

2016	Level 1	Level 2	Level 3	Total
Equities	\$ 3,382,187	\$ -	\$ -	\$ 3,382,187
Bonds	-	-	128,000	128,000
Warrants	88,091	-	-	88,091
	\$ 3,470,278	\$ -	\$ 128,000	\$ 3,598,278

The carrying amount of the Fund's net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy. The carrying value of cash, subscriptions receivable, dividends receivable, interest receivable, management fees and accrued expenses, and distributions payable to holders of redeemable units, 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.

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

PENDER SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

8. Fair value of financial instruments (continued):

(b) Fair value hierarchy - financial instruments measured at fair value (continued):

The following table shows a reconciliation of all movements in the fair value of financial instruments categorized within Level 3 for the years ended December 31, 2017 and 2016:

	2017	2016
Opening balance	\$ 128,000	\$ 18,450
Purchase of investments	-	175,878
Disposition of investments	(7,400)	-
Total gain (loss) recognized in comprehensive income	(6,200)	(66,328)
	\$ 114,400	\$ 128,000

Included in the change in unrealized appreciation (depreciation) in fair value of investments on the Fund's Statements of Comprehensive Income for the year ended December 31, 2017 is a loss of \$13,600 (2016 – loss of \$66,328) related to Level 3 investments.

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

The table below sets out information about significant unobservable inputs used at December 31, 2017 and 2016 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

2017					
Description	Fair value	Valuation technique	Unobservable input	Enterprise value/ weighted average multiple	Sensitivity to change in significant unobservable input
Bonds	\$ 114,400	Investment cost/ enterprise value	Enterprise value	\$ 114,400	The estimated fair value would increase if enterprise value increased
2016					
Description	Fair value	Valuation technique	Unobservable input	Enterprise value/ weighted average multiple	Sensitivity to change in significant unobservable input
Bonds	\$ 128,000	Investment cost/ enterprise value	Enterprise value	\$ 128,000	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.

PENDER SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

8. Fair value of financial instruments (continued):

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

Although the Fund believes that its 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 at December 31, 2017 and 2016:

	2017	2016
Favourable	\$ 11,440	\$ 12,800
Unfavourable	(11,440)	(12,800)

The favourable and unfavourable effects of using alternative reasonably possible assumptions for the valuation of unlisted private investments have been calculated by recalibrating the model values using unobservable inputs based on averages of the upper and lower quartiles of the Fund's range of possible estimates. The recalibrated model considers the impact of a 10% increase or decrease in enterprise value.

9. Financial risk management:

(a) Risk management framework:

The Fund maintains positions in a variety of derivative and non-derivative financial instruments in accordance with its investment strategy as set out in the Fund's offering documents.

The investment objective of the Fund is to achieve long-term capital growth by profiting from investment opportunities identified by the Manager. The Fund will invest primarily in Canadian and U.S. securities.

A Fund may be exposed to a variety of financial risks. A Fund's exposure to financial risks are concentrated in its investment holdings. The Schedule of Investment Portfolio for the Fund groups securities by asset type, geographic region and/or market segment. 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 the Fund's performance by regularly monitoring the Fund's positions and market events and by diversifying investment portfolios within the constraints of the Fund's investment objective.

PENDER SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

9. Financial risk management (continued):

(b) Credit risk:

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

Credit risk is managed by the Manager of the Fund through a careful selection of securities and diversification. The Fund's Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

The following table summarizes the maximum exposure to credit risk for the Fund shown as at December 31, 2017 and 2016, categorized by credit ratings.

Credit rating		2017		2016
Below BBB	\$	204,882	\$	-
Unrated		114,400		128,000
	\$	319,282	\$	128,000

(c) Liquidity risk:

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

Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed. In the case where the Fund holds thinly traded investments, timely disposition of such investments and the realized price may be significantly different from their carrying values.

The Fund's redeemable units are due on demand. The Fund's remaining liabilities are due within one month of the year-end of the Fund.

(d) Interest rate risk:

Interest rate risk is the risk that the market value of the Fund's interest-bearing investments will fluctuate due to changes in market interest rates. The 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.

PENDER SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

9. Financial risk management (continued):

(d) Interest rate risk (continued):

The following table summarizes the exposure to interest rate risk for the Fund shown as at December 31, 2017 and 2016, categorized by maturity date.

Maturity date	2017		2016	
1 to 3 years	\$	114,400	\$	17,000
3 to 5 years		-		111,000
More than 5 years		204,882		-
	\$	319,282	\$	128,000

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 Fund would have decreased or increased by \$37,874 (2016 - \$3,861).

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 Manager through a careful selection of securities and diversification within the Fund. The Manager monitors the Fund's overall market positions and positions are maintained within established ranges. The net foreign currency exposure for the Fund at December 31, 2017 and 2016 were:

	2017		2016	
US dollar	\$	2,688,102	\$	1,699,005

As at December 31, 2017, 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 Fund would have decreased or increased by \$268,810 (2016 - \$169,900).

PENDER SELECT IDEAS FUND

Notes to Financial Statements

For the year ended December 31, 2017, with comparative information for 2016

9. Financial risk management (continued):

(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 Manager through a careful selection of securities within specified limits and the Fund's price risk is managed through diversification within the Fund. The Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges. The Fund's exposure to other price risk as at December 31, 2017 was \$5,833,486 (2016 - \$3,470,278).

As at December 31, 2017, if equity prices had increased or decreased by 10%, with all other factors remaining constant, the net assets of the Fund would have increased or decreased by approximately \$590,000 (2016 - \$496,000).

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.

10. Income taxes:

As at December 31, 2017 and 2016, the Fund had no capital losses or non-capital losses available for utilization against realized capital gains or non-capital gains in future years.

CERTIFICATE

DATED April 30, 2018

This Offering Memorandum does not contain a misrepresentation.

PENDER SELECT IDEAS FUND
by its manager, PenderFund Capital Management Ltd.

DocuSigned by:

14938D19DDEB4F3...
President and Chief Executive Officer

DocuSigned by:

A18ABFDF7A0E469...
Chief Financial Officer

PENDERFUND CAPITAL MANAGEMENT LTD.
promoter of the Pender Select Ideas Fund

DocuSigned by:

14938D19DDEB4F3...
President and Chief Executive Officer