

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Pender Small Cap Opportunities Fund

Six months ended June 30, 2018

PENDER

This interim Management Report of Fund Performance contains financial highlights but does not contain either the interim financial statements or annual financial statements of the investment fund. You may obtain a copy of the interim financial statements or annual financial statements at your request, at no cost, by calling toll-free 1-866-377-4743, by writing to us at 1640 – 1066 West Hastings Street, Vancouver, BC V6E 3X1 or by visiting our website at www.penderfund.com or the SEDAR website at www.sedar.com.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

The net assets of the Pender Small Cap Opportunities Fund (the "Fund") as at June 30, 2018 increased overall to \$195,731,097 from \$189,610,169 as at December 31, 2017. Of this \$6,120,928 increase, \$6,945,011 is attributable to investment performance, \$824,083 is attributable to net unitholder redemptions of the Fund.

For the six months ended June 30, 2018 (the "period"), Class A units of the Fund generated a total return of 3.0%. Returns for other classes of the Fund will be similar to Class A with any difference in performance being primarily due to different management fees that are applicable to different classes. Please see the "Past Performance" section for the performance of the Fund's other classes. Fund returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund's benchmark, which are based on the performance of an index that does not pay fees or incur expenses.

The Fund's broad-based benchmark, the S&P/TSX Composite Index, returned 2.1% during the period. In accordance with National Instrument 81-106, we have included a comparison to this broad-based index to help you understand the Fund's performance relative to the general performance of the market, but caution that the Fund's mandate may be significantly different from the index.

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

The Fund's outperformance as compared to its benchmark was primarily due to active contribution from Telecommunication Services sector and Healthcare sector, which is a combination of stock selection and sector allocation. We do not actively manage sector weightings in the Fund, rather, our sector weightings are determined by individual stock selection through a bottom-up fundamental investment process. We seek to own stocks where our estimated range for the long-term intrinsic value of the business is higher than the current share price.

Key positive individual contributors to the Fund's performance for the period included Zymeworks Inc., TeraGo Inc., and Questor Technology Inc. Conversely, Quantum Corporation, Espial Group Inc. and GreenSpace Brands Inc. had the largest adverse impact.

Portfolio transactions during the period were made based on our stock selection process. In general, we increased weightings of individual stocks where we determined the margin of safety had increased and decreased their weightings as their traded market values moved closer to our estimates of their intrinsic values. We are constantly looking for new investment ideas and examples of new investments included Aritzia Inc. and Transat A.T. Inc. We may liquidate our positions for various reasons, such as when share prices have reached our assessment of fair value, when an acquisition has occurred, or where we have changed our investment thesis. During the period, we sold Ebix, Inc. and SodaStream International Ltd., for example, and two companies we held were acquired by third parties: NeuLion, Inc. and Mattersight Corporation (pending).

As at the end of the period, the Fund was 83% invested in Canada, 8% in US and the Fund's cash position had decreased to 9%, down from 17% at December 31, 2017. As we continue to look for new investment opportunities, the Fund's cash position may continue to decrease. The Fund's investment portfolio is concentrated and not diversified in the conventional sense. The Fund's top 10 holdings account for 32% of the Fund's net assets at the end of the period. This concentration may lead to varied results over any given period.

Overall sector exposure of the Fund did not shift much during the period. As at June 30, 2018 we were skewed to holdings in Information Technology, Consumer Discretionary, and Healthcare because those sectors are where we believe we are currently finding the best investment opportunities and, equally important, they contain businesses for which we are best equipped to assess value. These top three sectors accounted for 66% of the Fund at the end of the period.

Recent Developments

Stock markets in general saw increased volatility and posted mixed results in the first half of 2018. For the patient, fundamental investor, this makes for a fantastic stock picker's market. We were able to find investment opportunities that were actionable. The volatility gave us a chance to deploy capital. Our cash position in the Fund decreased from 17% at the end of December 2017 to 9% at the end of June 2018.

That being said, major stock indices have done well since the financial crisis of 2008 - 2009. When we look at it probabilistically, we can see scenarios where stocks would continue to increase in value and scenarios where stock prices would fall. At this point in time, we believe that the probability of a downturn in the market warrants a more conservative approach to allocating capital within our portfolio.

Recent Developments (Continued)

In the context of current market conditions, we are actively managing the Fund's investment portfolio, utilizing several strategies to minimize volatility. First, we use cash as a strategic asset class – that is to say we keep cash on hand to take advantage of price drops in stocks that we like. Second, we actively manage our position sizes based on getting a discount to intrinsic value. Finally, we look at uncovered parts of the market, including special situations, where sell-offs are not always as dramatic.

Since inception the Fund's investment strategy has been to determine the intrinsic value of a company and buy its stock when it trades at a significant discount to that estimate of intrinsic value. Our investment strategy requires rigorous in-depth valuation analysis. We dig deep when we look into a potential holding and we maintain an understanding of the key factors affecting our investment thesis after we buy a stock. Not everyone undertakes this deep diligence. We believe it gives us an advantage and allows us to find opportunities ahead of the market and position ourselves to take advantage of future potential increases in the stock's value.

As we run a concentrated investment portfolio, we only need to hold a relatively small number of great companies at a good price to drive the performance of the Fund. We will continue to look for best ideas that trade at significant discounts to intrinsic values.

Related Party Transactions

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

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

Management Fees

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

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

Such expenses represented approximately 28% of the management fees paid by the Fund to the Manager for the period.

FINANCIAL HIGHLIGHTS

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

CLASS A						
Fund's Net Assets Per Unit (a)	2018	2017	2016	2015	2014	2013
Net assets – beginning of period	\$26.88	\$25.88	\$22.05	\$22.69	\$19.38	\$14.46
Increase (decrease) from operations:						
Total revenue	0.21	0.37	0.34	0.26	0.21	0.11
Total expenses	(0.36)	(0.72)	(0.62)	(0.66)	(0.58)	(0.47)
Realized gains (losses)	2.01	3.19	3.19	2.54	3.67	0.72
Unrealized gains (losses)	(1.08)	(0.60)	2.64	(0.53)	1.09	5.72
Total increase (decrease) from operations (b)	0.78	2.24	5.55	1.61	4.39	6.08
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	(1.18)	(1.90)	(2.15)	(1.16)	-
Return of capital	-	-	-	-	-	-
Total annual distributions (b), (c)	-	(1.18)	(1.90)	(2.15)	(1.16)	-
Net assets – end of period	\$27.68	\$26.88	\$25.88	\$22.05	\$22.69	\$19.38
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$41,493	\$43,407	\$47,224	\$43,781	\$39,280	\$24,816
Number of units outstanding (a)	1,499,161	1,615,045	1,824,936	1,985,574	1,731,465	1,280,805
Management expense ratio (d)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Management expense ratio before absorptions (e)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Trading expense ratio (f)	0.19%	0.13%	0.09%	0.17%	0.29%	0.34%
Portfolio turnover rate (g)	27.50%	41.54%	28.17%	35.12%	52.23%	28.93%
Net asset value per unit (a)	\$27.68	\$26.88	\$25.88	\$22.05	\$22.69	\$19.38
CLASS B						
Fund's Net Assets Per Unit (a)	2018	2017	2016	2015	2014	2013
Net assets – beginning of period	\$10.00					
Increase (decrease) from operations:						
Total revenue	0.02					
Total expenses	(0.03)					
Realized gains (losses)	0.19					
Unrealized gains (losses)	(0.11)					
Total increase (decrease) from operations (b)	0.07					
Distributions:						
From income (excluding dividends)	-					
From dividends	-					
From capital gains	-					
Return of capital	-					
Total annual distributions (b), (c)	-					
Net assets – end of period	\$10.07					
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$5					
Number of units outstanding (a)	500					
Management expense ratio (d)	2.50%					
Management expense ratio before absorptions (e)	2.50%					
Trading expense ratio (f)	0.19%					
Portfolio turnover rate (g)	27.50%					
Net asset value per unit (a)	\$10.07					

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS F						
Fund's Net Assets Per Unit (a)	2018	2017	2016	2015	2014	2013
Net assets – beginning of period	\$26.53	\$25.72	\$22.20	\$23.08	\$19.81	\$14.93
Increase (decrease) from operations:						
Total revenue	0.21	0.37	0.34	0.27	0.22	0.13
Total expenses	(0.21)	(0.40)	(0.38)	(0.42)	(0.39)	(0.32)
Realized gains (losses)	2.02	3.19	3.22	2.60	3.79	0.74
Unrealized gains (losses)	(1.02)	(0.70)	2.62	(0.64)	1.58	5.30
Total increase (decrease) from operations (b)	1.00	2.46	5.80	1.81	5.20	5.85
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	(1.61)	(2.48)	(2.77)	(1.69)	(0.14)
Return of capital	-	-	-	-	-	-
Total annual distributions (b), (c)	-	(1.61)	(2.48)	(2.77)	(1.69)	(0.14)
Net assets – end of period	\$27.51	\$26.53	\$25.72	\$22.20	\$23.08	\$19.81
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$95,841	\$97,266	\$83,272	\$74,553	\$58,754	\$31,089
Number of units outstanding (a)	3,483,656	3,665,716	3,237,397	3,358,822	2,545,318	1,569,711
Management expense ratio (d)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Management expense ratio before absorptions (e)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Trading expense ratio (f)	0.19%	0.13%	0.09%	0.17%	0.29%	0.34%
Portfolio turnover rate (g)	27.50%	41.54%	28.17%	35.12%	52.23%	28.93%
Net asset value per unit (a)	\$27.51	\$26.53	\$25.72	\$22.20	\$23.08	\$19.81
CLASS G						
Fund's Net Assets Per Unit (a)	2018	2017	2016	2015	2014	2013
Net assets – beginning of period	\$10.00					
Increase (decrease) from operations:						
Total revenue	0.02					
Total expenses	(0.02)					
Realized gains (losses)	0.19					
Unrealized gains (losses)	(0.11)					
Total increase (decrease) from operations (b)	0.08					
Distributions:						
From income (excluding dividends)	-					
From dividends	-					
From capital gains	-					
Return of capital	-					
Total annual distributions (b), (c)	-					
Net assets – end of period	\$10.08					
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$5					
Number of units outstanding (a)	500					
Management expense ratio (d)	1.50%					
Management expense ratio before absorptions (e)	1.50%					
Trading expense ratio (f)	0.19%					
Portfolio turnover rate (g)	27.50%					
Net asset value per unit (a)	\$10.08					

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS I						
Fund's Net Assets Per Unit (a)	2018	2017	2016	2015	2014	2013
Net assets – beginning of period	\$12.51	\$13.14				
Increase (decrease) from operations:						
Total revenue	0.10	0.12				
Total expenses	(0.09)	(0.11)				
Realized gains (losses)	0.95	1.03				
Unrealized gains (losses)	(0.39)	(0.88)				
Total increase (decrease) from operations (b)	0.57	0.16				
Distributions:						
From income (excluding dividends)	-	-				
From dividends	-	-				
From capital gains	-	(0.77)				
Return of capital	-	-				
Total annual distributions (b), (c)	-	(0.77)				
Net assets – end of period	\$12.97	\$12.51				
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$10,876	\$5,347				
Number of units outstanding (a)	838,260	427,392				
Management expense ratio (d)	1.35%	1.35%				
Management expense ratio before absorptions (e)	1.35%	1.35%				
Trading expense ratio (f)	0.19%	0.13%				
Portfolio turnover rate (g)	27.50%	41.54%				
Net asset value per unit (a)	\$12.97	\$12.51				
CLASS N						
Fund's Net Assets Per Unit (a)	2018	2017	2016	2015	2014	2013
Net assets – beginning of period	\$11.55	\$12.15				
Increase (decrease) from operations:						
Total revenue	0.09	0.11				
Total expenses	(0.07)	(0.08)				
Realized gains (losses)	0.87	0.95				
Unrealized gains (losses)	(0.43)	(0.74)				
Total increase (decrease) from operations (b)	0.46	0.24				
Distributions:						
From income (excluding dividends)	-	-				
From dividends	-	(0.00)				
From capital gains	-	(0.77)				
Return of capital	-	-				
Total annual distributions (b), (c)	-	(0.77)				
Net assets – end of period	\$11.99	\$11.55				
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$41,182	\$36,673				
Number of units outstanding (a)	3,434,020	3,174,979				
Management expense ratio (d)	1.00%	1.00%				
Management expense ratio before absorptions (e)	1.00%	1.00%				
Trading expense ratio (f)	0.19%	0.13%				
Portfolio turnover rate (g)	27.50%	41.54%				
Net asset value per unit (a)	\$11.99	\$11.55				

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS O						
Fund's Net Assets Per Unit (a)	2018	2017	2016	2015	2014	2013
Net assets – beginning of period	\$26.02	\$25.15	\$21.78	\$22.42	\$19.50	\$14.36
Increase (decrease) from operations:						
Total revenue	0.20	0.36	0.33	0.26	0.21	0.12
Total expenses	(0.03)	(0.03)	(0.02)	(0.04)	(0.06)	(0.06)
Realized gains (losses)	1.96	3.13	3.25	2.54	3.69	0.71
Unrealized gains (losses)	(0.96)	(0.81)	4.47	(0.23)	1.13	5.55
Total increase (decrease) from operations (b)	1.17	2.65	8.03	2.53	4.97	6.33
Distributions:						
From income (excluding dividends)	-	(0.00)	-	-	-	(0.03)
From dividends	-	(0.17)	(0.26)	-	-	(0.04)
From capital gains	-	(1.73)	(2.69)	(2.95)	(1.88)	(0.29)
Return of capital	-	-	-	-	-	-
Total annual distributions (b), (c)	-	(1.90)	(2.95)	(2.95)	(1.88)	(0.36)
Net assets – end of period	\$27.12	\$26.02	\$25.15	\$21.78	\$22.42	\$19.50
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$6,329	\$6,917	\$5,534	\$1,303	\$1,476	\$916
Number of units outstanding (a)	233,351	265,855	220,062	59,818	65,861	46,982
Management expense ratio (d)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (e)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio (f)	0.19%	0.13%	0.09%	0.17%	0.29%	0.34%
Portfolio turnover rate (g)	27.50%	41.54%	28.17%	35.12%	52.23%	28.93%
Net asset value per unit (a)	\$27.12	\$26.02	\$25.15	\$21.78	\$22.42	\$19.50

Footnotes:

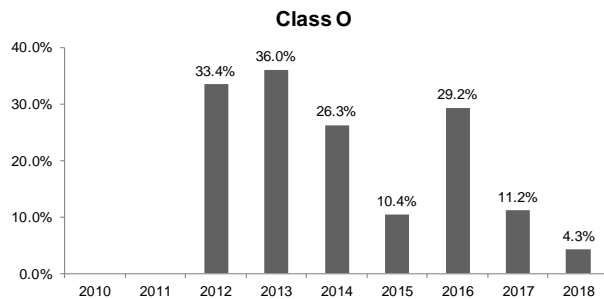
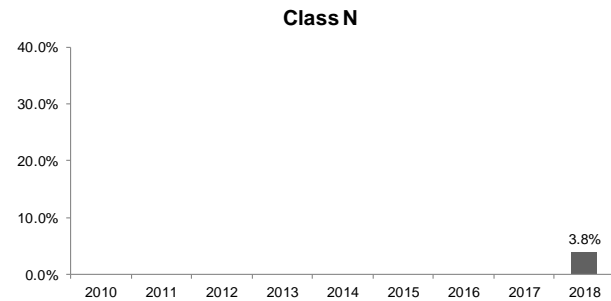
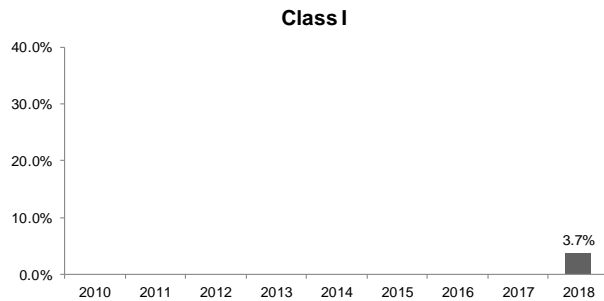
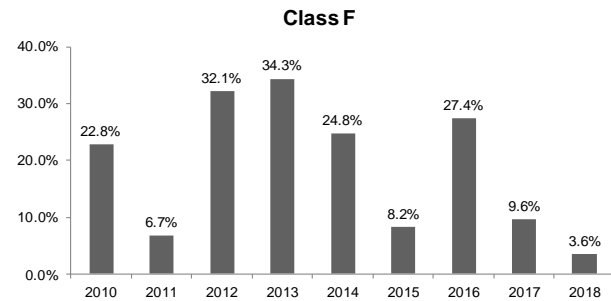
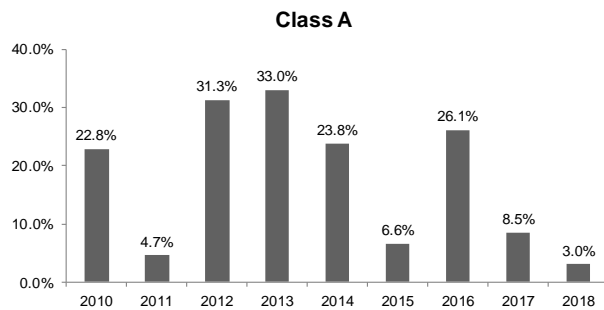
- (a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under International Financial Reporting Standards.
- (b) Net assets per unit and distributions per unit are based on the actual number of units for the relevant Fund class outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding during the period.
- (c) Distributions were paid in cash or reinvested in additional units of the Fund, or both.
- (d) Management expense ratio (MER) is based on total expenses (excluding commissions and other portfolio transaction costs) for the period and is expressed as an annualized percentage of average net asset value during the period. The MER may vary from one class of units to another because of differences in the applicable management fees and certain fees and expenses may have been absorbed by the Manager which would otherwise be reflected in the Fund.
- (e) The Manager of the Fund has agreed to absorb sufficient expenses of the Fund, as necessary, so that the annual MER after all charges and taxes (including sales, goods and services and other similar charges) will not exceed certain limits as outlined in the Fund's Simplified Prospectus. The amount of expenses absorbed is at the discretion of the Manager as set out in the Fund's Simplified Prospectus. As such, the Manager may in its sole discretion cease to absorb expenses.
- (f) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net asset value during the period.
- (g) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

PAST PERFORMANCE

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

Period-by-Period Returns

To illustrate how the Fund's performance has varied over time, the following bar charts show the Fund's performance for the six-month period ended June 30, 2018 and for each of the previous 12-month periods ended December 31. The information is presented starting from the first full financial period of the respective Fund class. In percentage terms, the bar charts show how much an investment held on the first day of the period would have increased or decreased by the last day of the period.



SUMMARY OF INVESTMENT PORTFOLIO

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

Summary of Top 25 Holdings

	% of Net Assets
Sierra Wireless, Inc.	3.9
Aritzia Inc.	3.8
Medicure Inc.	3.7
Absolute Software Corporation	3.5
TeraGo Inc.	3.5
Freshii Inc., Class 'A'	3.3
Espial Group Inc.	2.8
Chesswood Group Limited	2.6
TerraVest Industries Inc.	2.6
Knight Therapeutics Inc.	2.5
AgJunction Inc.	2.4
Mattersight Corporation	2.4
Polaris Infrastructure Inc.	2.4
BSM Technologies Inc.	2.3
Diversified Royalty Corp.	2.3
GreenSpace Brands Inc.	2.3
Questor Technology Inc.	2.3
AutoCanada Inc.	2.2
Sangoma Technologies Corporation	2.2
Indigo Books & Music Inc.	2.1
Maxim Power Corp.	2.1
Transat A.T. Inc.	2.1
Solium Capital Inc.	2.0
Photon Control Inc.	1.9
Points International Ltd.	1.9

Summary of Composition of the Portfolio

	% of Net Assets
Equities	
Information technology	40.9
Consumer discretionary	16.6
Health care	8.3
Energy	4.8
Utilities	4.5
Industrials	4.3
Telecommunications	3.5
Consumer staples	3.5
Diversified financials	2.9
Insurance	0.6
Total equities	89.9
Corporate bonds	2.1
Warrants	0.2
Total investments	92.2
Cash	9.1
Other assets less liabilities	(1.3)
Total net assets	100.0

Caution Regarding Forward-Looking Statements

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

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

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

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

PENDER

MANAGED BY:
PENDERFUND CAPITAL MANAGEMENT LTD.

1640 – 1066 West Hastings St.
Vancouver, BC V6E 3X1

TELEPHONE 604 688-1511
FACSIMILE 604 563-3199
TOLL FREE 1 866 377-4743

www.penderfund.com