

**PENDER MUTUAL FUNDS
INDEPENDENT REVIEW COMMITTEE
ANNUAL REPORT TO SECURITYHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Introduction

The following report describes the Independent Review Committee (the “IRC”) of the Pender Mutual Funds (the “Funds”) managed by PenderFund Capital Management Ltd. (“Manager”) and its related activities for the year ended December 31, 2017.

The Funds are the follows:

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

Membership and Composition

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

The following individuals are the members of the IRC as at December 31, 2017. The changes to the composition or membership of the IRC during the year is noted below.

<u>Name</u>	<u>Length of Service</u>	<u>Other IRC Memberships</u>
Cameron Belsher (past Chair)	May 7, 2009 to March 7, 2017	None
Kerry Ho (Chair)	Member since February 11, 2015; chair since March 7, 2017	None
John Webster	Since October 27, 2015	None
Robin Mahood	Since March 7, 2017	None

Share Ownership

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

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

is none in all cases.

Compensation

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

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

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

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

For the year ended December 31, 2017, a total of \$25,500 was paid by the Funds to the IRC, amounts that were reimbursed by the Manager to the Fund. No amounts were paid to the IRC members by the Funds under indemnities in their favour.

Activities, Reviews and Approvals

During the year ended December 31, 2017, the Manager informed the IRC that it relied on positive recommendations and standing instructions granted by the IRC relating to conflict of interest matters. The standing instructions require the Manager to follow its policies and procedures related to the applicable conflict of interest matters in all material respects and to report to the IRC. In certain cases prior approval of the IRC is required.

Certificate

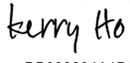
For the year ended December 31, 2017:

- a) There were no other instances of proposed actions involving a conflict of interest matter or potential conflict of interest matter that were referred to the IRC by the Manager for consideration, other than in accordance with the Standing Instructions as approved by the IRC on May 7, 2009 and amended on October 21, 2010, January 27, 2011, October 9, 2012 and February 12, 2013, February 11, 2014, December 16, 2014, and December 11, 2017 other than as identified in c) below;
- b) The IRC is not aware of any instances where the Manager was involved in a conflict of interest matter other than as identified in c) below; and
- c) The Manager acted in a conflict of interest matter involving an inter-fund trade and did not meet a prior condition imposed by the IRC in its approval of the inter-fund trade, as follows:
 - a. The Manager did not obtain exemptive relief from the British Columbia Securities Commission in advance of an inter-fund trade to Pender Select Ideas Fund, a fund managed by the Manager which is not subject to *National Instrument 81-102- Mutual Fund Prospectus Disclosure*;

- b. The Manager's actions in not obtaining exemptive relief were inadvertent in nature; and
- c. The IRC is of the view that the Manager has taken appropriate action in dealing with the matter including reporting the inter-trade to the British Columbia Securities Commission.

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

Vancouver, British Columbia
February 28, 2018

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Kerry Ho
Chair of the Independent Review Committee