

Annual Financial Statements of

**PENDER MUTUAL FUNDS**

Year/Period ended December 31, 2018

## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

*"David Barr"*

---

David Barr  
President, CEO  
PenderFund Capital Management Ltd.

*"Gina Jones"*

---

Gina Jones  
Chief Financial Officer  
PenderFund Capital Management Ltd.

March 28, 2019



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 the Pender Mutual Funds (collectively, the "Funds")

Pender Canadian Opportunities Fund

Pender Corporate Bond Fund

Pender North American Small Cap Fund

Pender Small Cap Opportunities Fund

Pender Strategic Growth and Income Fund

Pender US All Cap Equity Fund

Pender Value Fund

### *Opinion*

We have audited the financial statements of the Funds, which comprise:

- the statements of financial position as at December 31, 2018 and December 31, 2017 (for December 31, 2018 only, the Pender North American Small Cap Fund)
- the statements of comprehensive income for the years then ended (for the period from June 25, 2018 to December 31, 2018 only, the Pender North American Small Cap Fund)
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended (for the period from June 25, 2018 to December 31, 2018 only, the Pender North American Small Cap Fund)
- the statements of cash flows for the years then ended (for the period from June 25, 2018 to December 31, 2018 only, the Pender North American Small Cap Fund)
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended (for the period from June 25, 2018 to December 31, 2018 only, the Pender North American Small Cap Fund) in accordance with International Financial Reporting Standards (IFRS).



### ***Basis for Opinion***

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Funds in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in the Annual Management Report of Fund Performance for each of the Funds filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Annual Management Report of Fund Performance as at the date of this auditors’ report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors’ report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Funds’ ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds’ financial reporting process.



### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Funds to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

---

Chartered Professional Accountants

Vancouver, Canada  
March 28, 2019

# PENDER CANADIAN OPPORTUNITIES FUND

Statements of Financial Position

December 31, 2018 and 2017

	Notes	2018	2017
<b>Assets</b>			
Cash		\$ 32,977	\$ 169,984
Subscriptions receivable		3,000	990
Dividends receivable		3,183	6,454
Interest receivable		521	-
Other receivables		1,612	1,151
Investments		5,408,048	6,842,418
		<u>5,449,341</u>	<u>7,020,997</u>
<b>Liabilities</b>			
Management and administration fees payable	4	4,904	7,470
Redemptions payable to holders of redeemable units		39,132	2,000
Distributions payable to holders of redeemable units		1,923	1,198
Accrued expenses		247	-
		<u>46,206</u>	<u>10,668</u>
<b>Net assets</b> , attributable to holders of redeemable units		<u>\$ 5,403,135</u>	<u>\$ 7,010,329</u>
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 721,372	\$ 1,068,144
Class D		45,454	52,084
Class F		4,291,359	5,322,297
Class H		5,273	6,067
Class I		158,196	233,828
Class O		181,481	327,909
		<u>\$ 5,403,135</u>	<u>\$ 7,010,329</u>
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 7.50	\$ 9.57
Class D		5.61	7.11
Class F		7.93	10.02
Class H		9.04	11.51
Class I		9.30	11.73
Class O		10.35	12.90

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

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

"Kelly Edmison"

Director

"David Barr"

Director

# PENDER CANADIAN OPPORTUNITIES FUND

Statements of Comprehensive Income

Years ended December 31, 2018 and 2017

	Notes	2018	2017
<b>Revenue:</b>			
Dividend income		\$ 77,282	\$ 84,798
Interest for distribution purposes		1,186	-
Securities lending income	5	30,839	4,982
Foreign exchange gain (loss)		(456)	(2,593)
Changes in fair value of investments:			
Net realized gain (loss)		402,128	527,454
Net change in unrealized appreciation (depreciation)		(1,244,929)	(108,286)
<b>Total revenue</b>		<b>(733,950)</b>	<b>506,355</b>
<b>Expenses:</b>			
Management fees	4	60,552	61,058
Administration fees	4	31,327	25,739
Transaction costs		18,962	14,853
Other taxes (recovery)		(3,659)	-
Independent review committee fees		97	261
<b>Total expenses</b>		<b>107,279</b>	<b>101,911</b>
<b>Less: expenses absorbed by the Manager</b>		<b>(97)</b>	<b>(261)</b>
<b>Net expenses</b>		<b>107,182</b>	<b>101,650</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>			
		\$ (841,132)	\$ 404,705
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class:</b>			
Class A		\$ (131,835)	\$ 56,832
Class D		(6,345)	2,517
Class F		(650,356)	292,757
Class H		(794)	395
Class I		(22,047)	8,094
Class O		(29,755)	44,110
		\$ (841,132)	\$ 404,705
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>			
Class A		\$ (1.30)	\$ 0.52
Class D		(1.00)	0.44
Class F		(1.26)	0.64
Class H		(1.49)	0.79
Class I		(1.06)	0.67
Class O		(1.29)	0.98

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



# PENDER CANADIAN OPPORTUNITIES FUND

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

Years ended December 31, 2018 and 2017

<b>Class A</b>	2018	2017
Balance, beginning of year	\$ 1,068,144	\$ 1,051,313
Increase (decrease) in net assets attributable to holders of redeemable units	(131,835)	56,832
Unit transactions:		
Proceeds from issue of redeemable units	65,598	326,938
Issued on reinvestment of distributions	65,455	36,007
Amounts paid on redemption of redeemable units	(279,226)	(364,541)
	(148,173)	(1,596)
Distributions paid from:		
Net investment income	(324)	(560)
Realized gains on sale of investments	(66,440)	(37,845)
Return of capital	-	-
	(66,764)	(38,405)
Balance, end of year	\$ 721,372	\$ 1,068,144
<b>Class D</b>	2018	2017
Balance, beginning of year	\$ 52,084	\$ 23,650
Increase (decrease) in net assets attributable to holders of redeemable units	(6,345)	2,517
Unit transactions:		
Proceeds from issue of redeemable units	19,001	60,664
Issued on reinvestment of distributions	3,690	926
Amounts paid on redemption of redeemable units	(19,286)	(34,745)
	3,405	26,845
Distributions paid from:		
Net investment income	(46)	(47)
Realized gains on sale of investments	(3,644)	(881)
Return of capital	-	-
	(3,690)	(928)
Balance, end of year	\$ 45,454	\$ 52,084
<b>Class F</b>	2018	2017
Balance, beginning of year	\$ 5,322,297	\$ 2,629,952
Increase (decrease) in net assets attributable to holders of redeemable units	(650,356)	292,757
Unit transactions:		
Proceeds from issue of redeemable units	1,965,545	3,707,373
Issued on reinvestment of distributions	369,034	215,380
Amounts paid on redemption of redeemable units	(2,335,730)	(1,301,765)
	(1,151)	2,620,988
Distributions paid from:		
Net investment income	(453)	(38)
Realized gains on sale of investments	(378,978)	(221,362)
Return of capital	-	-
	(379,431)	(221,400)
Balance, end of year	\$ 4,291,359	\$ 5,322,297

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

# PENDER CANADIAN OPPORTUNITIES FUND

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

Years ended December 31, 2018 and 2017

<b>Class H</b>	2018		2017	
Balance, beginning of year	\$	6,067	\$	5,688
Increase (decrease) in net assets attributable to holders of redeemable units		(794)		395
Unit transactions:				
Proceeds from issue of redeemable units		-		-
Issued on reinvestment of distributions		495		310
Amounts paid on redemption of redeemable units		-		-
		495		310
Distributions paid from:				
Net investment income		(41)		(42)
Realized gains on sale of investments		(454)		(284)
Return of capital		-		-
		(495)		(326)
<b>Balance, end of year</b>	<b>\$</b>	<b>5,273</b>	<b>\$</b>	<b>6,067</b>
<b>Class I</b>	2018		2017	
Balance, beginning of year	\$	233,828	\$	5,711
Increase (decrease) in net assets attributable to holders of redeemable units		(22,047)		8,094
Unit transactions:				
Proceeds from issue of redeemable units		64,017		433,882
Issued on reinvestment of distributions		14,357		4,662
Amounts paid on redemption of redeemable units		(117,300)		(213,128)
		(38,926)		225,416
Distributions paid from:				
Net investment income		(1,059)		(757)
Realized gains on sale of investments		(13,600)		(4,636)
Return of capital		-		-
		(14,659)		(5,393)
<b>Balance, end of year</b>	<b>\$</b>	<b>158,196</b>	<b>\$</b>	<b>233,828</b>
<b>Class O</b>	2018		2017	
Balance, beginning of year	\$	327,909	\$	589,772
Increase (decrease) in net assets attributable to holders of redeemable units		(29,755)		44,110
Unit transactions:				
Proceeds from issue of redeemable units		-		-
Issued on reinvestment of distributions		15,592		173
Amounts paid on redemption of redeemable units		(116,673)		(305,973)
		(101,081)		(305,800)
Distributions paid from:				
Net investment income		-		-
Realized gains on sale of investments		(15,592)		(173)
Return of capital		-		-
		(15,592)		(173)
<b>Balance, end of year</b>	<b>\$</b>	<b>181,481</b>	<b>\$</b>	<b>327,909</b>

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

# PENDER CANADIAN OPPORTUNITIES FUND

## Statements of Cash Flows

Years ended December 31, 2018 and 2017

	2018	2017
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (841,132)	\$ 404,705
Adjustments for:		
Dividend income	(77,282)	(84,798)
Interest for distribution purposes	(1,186)	-
Foreign exchange (gain) loss	456	2,593
Net realized (gain) loss on sale of investments	(402,128)	(527,454)
Net change in unrealized (appreciation) depreciation of investments	1,244,929	108,286
Management and administration fees payable	(2,566)	1,624
Accrued expenses	247	-
Other receivable	(461)	(1,151)
Proceeds on disposal of investments	5,033,803	2,905,961
Amounts paid on purchase of investments	(4,442,234)	(6,252,111)
Dividends received	80,553	84,360
Interest received	665	-
	593,664	(3,357,985)
Financing:		
Proceeds from issue of redeemable units	2,012,297	4,183,956
Amounts paid on redemption of redeemable units	(2,731,229)	(1,874,840)
Distributions paid to unitholders	(11,283)	(7,969)
	(730,215)	2,301,147
Net increase (decrease) in cash	(136,551)	(1,056,838)
Cash, beginning of year	169,984	1,229,415
Effect of exchange rate fluctuations on cash	(456)	(2,593)
Cash, end of year	\$ 32,977	\$ 169,984

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

# PENDER CANADIAN OPPORTUNITIES FUND

Schedule of Investment Portfolio

December 31, 2018

	Number of shares	Cost	Fair value
<b>Equities:</b>			
Communication services (5.6%):			
Wow Unlimited Media Inc.	253,900	\$ 349,411	\$ 304,680
		349,411	304,680
Consumer discretionary (19.8%):			
Aritzia Inc.	8,400	109,393	137,760
AutoCanada Inc.	9,500	216,735	107,825
Dollarama Inc.	4,202	122,947	136,439
Freshii Inc., Class 'A'	41,340	343,524	105,830
Indigo Books & Music Inc.	5,405	87,206	60,968
Sleep Country Canada Holdings Inc.	4,250	147,802	84,873
Transat A.T. Inc.	31,700	243,004	188,615
Uni-Select Inc.	12,640	320,857	245,342
		1,591,468	1,067,652
Consumer staples (5.2%):			
Alimentation Couche-Tard Inc., Class 'B'	3,000	184,787	203,730
Premium Brands Holdings Corporation	1,000	88,020	74,860
		272,807	278,590
Diversified financials (16.1%):			
Chesswood Group Limited	10,600	126,318	110,134
Crown Capital Partners Inc.	20,100	203,488	209,040
Fiera Capital Corporation	9,909	121,564	111,873
Onex Corporation	1,118	92,397	83,123
Partners Value Investments LP	9,300	341,128	358,050
		884,895	872,220
Energy (5.0%):			
Athabasca Oil Corporation	176,700	200,419	174,933
Leucrotta Exploration Inc.	34,100	64,573	32,736
PHI, Inc.	25,600	191,474	64,656
		456,466	272,325
Health care (5.8%):			
Knight Therapeutics Inc.	22,843	185,442	175,663
Medicure Inc.	22,200	142,863	136,530
		328,305	312,193
Industrials (3.6%):			
Exchange Income Corporation	3,500	115,305	98,910
INSCAPE Corporation, Class 'B'	19,860	65,670	28,499
Maxar Technologies Ltd.	4,255	93,690	69,399
		274,665	196,808

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

# PENDER CANADIAN OPPORTUNITIES FUND

Schedule of Investment Portfolio (continued)

December 31, 2018

	Number of shares	Cost	Fair value
<b>Equities (continued):</b>			
Information technology (19.5%):			
Absolute Software Corporation	21,400	\$ 147,531	\$ 165,636
C-Com Satellite Systems Inc.	236,800	265,177	279,424
Enghouse Systems Limited	1,400	86,814	92,974
ProntoForms Corporation	666,700	225,363	216,678
Sangoma Technologies Corporation	184,440	166,826	215,795
Sierra Wireless, Inc.	4,530	104,851	83,035
		996,562	1,053,542
Insurance (3.1%):			
Trisura Group Ltd.	6,315	163,011	164,821
		163,011	164,821
Materials (10.7%):			
CCL Industries Inc., Class 'B'	6,500	388,367	325,390
Winpak Ltd.	5,300	260,601	253,075
		648,968	578,465
Real estate (1.4%):			
Dream Unlimited Corp., Class 'A'	10,800	79,112	73,872
		79,112	73,872
Utilities (2.1%):			
Maxim Power Corp.	53,401	163,898	115,880
		163,898	115,880
<b>Total equities (97.9%)</b>		<b>\$ 6,209,568</b>	<b>\$ 5,291,048</b>

	Interest rate / exercise price	Maturity / expiry date	Issue currency	Face value / Number of units	Cost	Fair value
<b>Corporate bonds:</b>						
Corporate bonds (2.2%):						
exactEarth Ltd.	9.00%	2023/12/13	CAD	117,000	\$ 117,000	\$ 117,000
<b>Total corporate bonds (2.2%)</b>					117,000	117,000
<b>Warrants:</b>						
Warrants (0.0%)						
Energy Fuels Inc.	\$ 3.20	2019/03/14	USD	4,450	1,682	-
<b>Total warrants (0.0%)</b>					1,682	-
Less: Transaction costs included in cost of investments					(13,245)	-
<b>Total investments (100.1%)</b>					<b>\$ 6,315,005</b>	<b>\$ 5,408,048</b>
Cash (0.6%)						32,977
Other assets less liabilities (-0.7%)						(37,890)
<b>Total net assets attributable to holders of redeemable units (100.0%)</b>						<b>\$ 5,403,135</b>

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

# PENDER CORPORATE BOND FUND

Statements of Financial Position

December 31, 2018 and 2017

	Notes	2018	2017
<b>Assets</b>			
Cash		\$ 9,965,433	\$ 9,192,058
Subscriptions receivable		977,466	295,500
Receivable for investments sold		-	5,003
Dividends receivable		165,593	90,466
Interest receivable		5,696,336	1,873,311
Other receivable		-	354
Derivative assets		-	2,771,504
Investments		538,068,587	180,410,052
		554,873,415	194,638,248
<b>Liabilities</b>			
Management and administration fees payable	4	558,448	192,984
Redemptions payable to holders of redeemable units		536,437	21,458
Distributions payable to holders of redeemable units		12,856	9,351
Payable for investments purchased		-	164,441
Accrued expenses		3,371	-
Derivative liabilities		10,266,145	-
		11,377,257	388,234
<b>Net assets, attributable to holders of redeemable units</b>		<b>\$ 543,496,158</b>	<b>\$ 194,250,014</b>
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 76,888,286	\$ 38,229,254
Class A (USD)		6,177,479	1,263,971
Class D		1,725,989	182,431
Class F		246,708,554	68,365,397
Class F (USD)		24,368,234	12,427,041
Class H		38,560,155	19,158,685
Class I		140,680,255	42,272,114
Class O		8,387,206	12,351,121
		\$ 543,496,158	\$ 194,250,014
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 12.24	\$ 11.92
Class A (USD)		13.89	12.48
Class D		11.23	10.92
Class F		12.25	11.92
Class F (USD)		13.75	12.35
Class H		10.79	10.51
Class I		10.53	10.24
Class O		10.64	10.37

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

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

"Kelly Edmison"

Director

"David Barr"

Director

# PENDER CORPORATE BOND FUND

Statements of Comprehensive Income

Years ended December 31, 2018 and 2017

	Notes	2018	2017
<b>Revenue:</b>			
Dividend income		\$ 1,951,248	\$ 950,571
Interest for distribution purposes		15,684,389	6,450,257
Securities lending income	5	42,715	1,311
Foreign exchange gain (loss)		435,404	(314,895)
Changes in fair value of investments and derivatives:			
Net realized gain (loss)		3,827,922	10,802,873
Net change in unrealized appreciation (depreciation)		(594,281)	(5,705,819)
<b>Total revenue</b>		<b>21,347,397</b>	<b>12,184,298</b>
<b>Expenses:</b>			
Management fees	4	2,756,508	1,343,762
Administration fees	4	1,768,429	633,045
Withholding taxes (recovery)	6	214,680	26,624
Transaction costs		178,561	114,490
Independent review committee fees		9,914	7,123
<b>Total expenses</b>		<b>4,928,092</b>	<b>2,125,044</b>
<b>Less: expenses absorbed by the Manager</b>		<b>(9,914)</b>	<b>(7,123)</b>
<b>Net expenses</b>		<b>4,918,178</b>	<b>2,117,921</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>			
		<b>\$ 16,429,219</b>	<b>\$ 10,066,377</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class:</b>			
Class A		\$ 2,188,230	\$ 2,523,880
Class A (USD)		395,538	23,704
Class D		43,989	8,489
Class F		5,843,665	3,633,954
Class F (USD)		2,506,302	47,862
Class H		1,190,809	1,027,944
Class I		3,434,156	1,912,083
Class O		826,530	888,461
		<b>\$ 16,429,219</b>	<b>\$ 10,066,377</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>			
Class A		\$ 0.49	\$ 0.78
Class A (USD)		1.52	0.22
Class D		0.46	0.68
Class F		0.47	0.81
Class F (USD)		1.71	0.08
Class H		0.44	0.69
Class I		0.40	0.72
Class O		0.84	0.85

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

# PENDER CORPORATE BOND FUND

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

Years ended December 31, 2018 and 2017

<b>Class A</b>	2018	2017
Balance, beginning of year	\$ 38,229,254	\$ 38,595,403
Increase (decrease) in net assets attributable to holders of redeemable units	2,188,230	2,523,880
Unit transactions:		
Proceeds from issue of redeemable units	53,720,353	11,285,265
Issued on reinvestment of distributions	1,123,581	788,141
Amounts paid on redemption of redeemable units	(16,861,544)	(13,890,338)
	37,982,390	(1,816,932)
Distributions paid from:		
Net investment income	(1,511,588)	(1,073,097)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(1,511,588)	(1,073,097)
<b>Balance, end of year</b>	<b>\$ 76,888,286</b>	<b>\$ 38,229,254</b>

<b>Class A (USD)</b>	2018	2017
Balance, beginning of year	\$ 1,263,971	\$ 1,419,842
Increase (decrease) in net assets attributable to holders of redeemable units	395,538	23,704
Unit transactions:		
Proceeds from issue of redeemable units	5,133,652	499,711
Issued on reinvestment of distributions	68,039	24,719
Amounts paid on redemption of redeemable units	(588,577)	(665,913)
	4,613,114	(141,483)
Distributions paid from:		
Net investment income	(95,144)	(38,092)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(95,144)	(38,092)
<b>Balance, end of year</b>	<b>\$ 6,177,479</b>	<b>\$ 1,263,971</b>

<b>Class D</b>	2018	2017
Balance, beginning of year	\$ 182,431	\$ 47,977
Increase (decrease) in net assets attributable to holders of redeemable units	43,989	8,489
Unit transactions:		
Proceeds from issue of redeemable units	2,655,711	165,022
Issued on reinvestment of distributions	36,365	4,556
Amounts paid on redemption of redeemable units	(1,154,745)	(39,052)
	1,537,331	130,526
Distributions paid from:		
Net investment income	(37,762)	(4,561)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(37,762)	(4,561)
<b>Balance, end of year</b>	<b>\$ 1,725,989</b>	<b>\$ 182,431</b>

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



# PENDER CORPORATE BOND FUND

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

Years ended December 31, 2018 and 2017

<b>Class F</b>	2018	2017
Balance, beginning of year	\$ 68,365,397	\$ 34,937,760
Increase (decrease) in net assets attributable to holders of redeemable units	5,843,665	3,633,954
Unit transactions:		
Proceeds from issue of redeemable units	224,513,594	48,257,399
Issued on reinvestment of distributions	3,248,968	1,145,539
Amounts paid on redemption of redeemable units	(49,827,293)	(17,694,646)
	177,935,269	31,708,292
Distributions paid from:		
Net investment income	(5,435,777)	(1,914,609)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(5,435,777)	(1,914,609)
<b>Balance, end of year</b>	<b>\$ 246,708,554</b>	<b>\$ 68,365,397</b>

<b>Class F (USD)</b>	2018	2017
Balance, beginning of year	\$ 12,427,041	\$ 985,495
Increase (decrease) in net assets attributable to holders of redeemable units	2,506,302	47,862
Unit transactions:		
Proceeds from issue of redeemable units	16,856,549	12,006,315
Issued on reinvestment of distributions	272,871	188,511
Amounts paid on redemption of redeemable units	(7,014,899)	(507,482)
	10,114,521	11,687,344
Distributions paid from:		
Net investment income	(679,630)	(293,660)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(679,630)	(293,660)
<b>Balance, end of year</b>	<b>\$ 24,368,234</b>	<b>\$ 12,427,041</b>

<b>Class H</b>	2018	2017
Balance, beginning of year	\$ 19,158,685	\$ 12,115,891
Increase (decrease) in net assets attributable to holders of redeemable units	1,190,809	1,027,944
Unit transactions:		
Proceeds from issue of redeemable units	25,536,805	7,597,516
Issued on reinvestment of distributions	669,161	369,691
Amounts paid on redemption of redeemable units	(7,112,489)	(1,463,666)
	19,093,477	6,503,541
Distributions paid from:		
Net investment income	(882,816)	(488,691)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(882,816)	(488,691)
<b>Balance, end of year</b>	<b>\$ 38,560,155</b>	<b>\$ 19,158,685</b>

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

# PENDER CORPORATE BOND FUND

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

Years ended December 31, 2018 and 2017

<b>Class I</b>	2018	2017
Balance, beginning of year	\$ 42,272,114	\$ 16,158,013
Increase (decrease) in net assets attributable to holders of redeemable units	3,434,156	1,912,083
Unit transactions:		
Proceeds from issue of redeemable units	118,824,808	28,823,180
Issued on reinvestment of distributions	1,954,556	596,185
Amounts paid on redemption of redeemable units	(22,479,439)	(4,174,977)
	98,299,925	25,244,388
Distributions paid from:		
Net investment income	(3,325,940)	(1,042,370)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(3,325,940)	(1,042,370)
<b>Balance, end of year</b>	<b>\$ 140,680,255</b>	<b>\$ 42,272,114</b>
<b>Class O</b>	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 12,351,121	\$ 7,813,165
Increase (decrease) in net assets attributable to holders of redeemable units	826,530	888,461
Unit transactions:		
Proceeds from issue of redeemable units	-	4,761,000
Issued on reinvestment of distributions	486,848	511,138
Amounts paid on redemption of redeemable units	(4,790,445)	(1,111,504)
	(4,303,597)	4,160,634
Distributions paid from:		
Net investment income	(486,848)	(511,139)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(486,848)	(511,139)
<b>Balance, end of year</b>	<b>\$ 8,387,206</b>	<b>\$ 12,351,121</b>

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

# PENDER CORPORATE BOND FUND

## Statements of Cash Flows

Years ended December 31, 2018 and 2017

	2018	2017
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 16,429,219	\$ 10,066,377
Adjustments for:		
Dividend income	(1,951,248)	(950,571)
Interest for distribution purposes	(15,684,389)	(6,450,257)
Foreign exchange (gain) loss	(435,404)	314,895
Net realized (gain) loss on sale of investments	(9,075,114)	(7,577,224)
Net change in unrealized (appreciation) depreciation of investments	(12,443,368)	9,105,539
Derivative assets and liabilities	13,037,649	(3,399,720)
Other receivable	354	2,099,646
Deposits with brokers	-	1,161,632
Management and administration fees payable	365,464	60,234
Accrued expenses	3,371	-
Interest payable	-	(1,509)
Proceeds on disposal of investments	240,682,381	138,010,693
Amounts paid on purchase of investments	(576,981,872)	(214,772,572)
Dividends received	1,876,121	920,053
Interest received	11,861,364	5,678,335
	<u>(332,315,472)</u>	<u>(65,734,449)</u>
Financing:		
Proceeds from issue of redeemable units	411,970,981	95,483,076
Amounts paid on redemption of redeemable units	(74,725,927)	(21,660,552)
Distributions paid to unitholders	(4,591,611)	(1,728,388)
	<u>332,653,443</u>	<u>72,094,136</u>
Net increase (decrease) in cash	337,971	6,359,687
Cash, beginning of year	9,192,058	3,147,266
Effect of exchange rate fluctuations on cash	435,404	(314,895)
Cash, end of year	<u>\$ 9,965,433</u>	<u>\$ 9,192,058</u>

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

# PENDER CORPORATE BOND FUND

Schedule of Investment Portfolio

December 31, 2018

	Interest rate	Maturity date	Issue currency	Face value	Cost	Fair value
<b>Corporate bonds and loans:</b>						
Canada (26.2%):						
AGT Food and Ingredients Inc.	5.88%	2021/12/21	CAD	\$ 3,331,000	\$ 3,335,101	\$ 3,309,487
Aimia Inc.	5.60%	2019/05/17	CAD	6,470,000	6,348,363	6,554,919
Canadian National Railway Company	2.75%	2021/02/18	CAD	14,000,000	14,122,300	14,059,919
Canadian Pacific Railway Company	5.10%	2022/01/14	CAD	7,350,000	8,008,765	7,836,901
Crown Capital Partners Inc.	6.00%	2023/06/30	CAD	2,500,000	2,500,000	2,408,125
Eldorado Gold Corporation	6.13%	2020/12/15	USD	6,250,000	7,768,472	7,839,490
Element Fleet Management Corp.	5.13%	2019/06/30	CAD	6,744,000	6,554,812	6,701,850
Element Fleet Management Corp.	4.25%	2020/06/30	CAD	7,094,000	6,534,677	6,881,180
Energy Fuels Inc.	8.50%	2020/12/31	CAD	2,748,000	2,551,134	2,735,634
First Quantum Minerals Ltd.	7.25%	2023/04/01	USD	2,000,000	2,456,020	2,395,926
Gran Colombia Gold Corp.	8.25%	2024/04/30	USD	3,602,336	4,134,905	4,844,140
Hudbay Minerals Inc.	7.25%	2023/01/15	USD	2,500,000	3,345,309	3,403,324
Just Energy Group Inc.	6.50%	2019/07/29	USD	11,800,000	15,032,624	16,255,552
Just Energy Group Inc.	6.75%	2021/12/31	CAD	2,468,000	2,341,559	2,384,853
Just Energy Group Inc.	6.75%	2023/03/31	CAD	2,693,000	2,398,466	2,363,108
Masonite International Corporation	5.63%	2023/03/15	USD	3,602,000	4,849,327	4,776,074
NAV Canada	5.30%	2019/04/17	CAD	5,000,000	5,290,400	5,043,343
New Gold Inc.	6.38%	2025/05/15	USD	160,000	175,841	167,100
Norbord Inc.	6.25%	2023/04/15	USD	5,505,000	7,325,641	7,546,314
Open Text Corporation	5.63%	2023/01/15	USD	1,500,000	2,060,558	2,045,240
Osisko Gold Royalties Ltd.	4.00%	2022/12/31	CAD	14,015,000	13,966,599	13,920,259
Parkland Fuel Corporation	5.50%	2021/05/28	CAD	3,306,000	3,392,208	3,349,391
Parkland Fuel Corporation	6.00%	2022/11/21	CAD	7,000,000	7,222,500	7,075,833
Sherritt International Corporation	8.00%	2021/11/15	CAD	1,000,000	888,750	813,750
Sherritt International Corporation	7.50%	2023/09/24	CAD	2,500,000	2,018,750	1,861,459
SSR Mining Inc.	2.88%	2033/02/01	USD	4,369,000	5,647,706	5,931,217
					140,270,787	142,504,388
United States (42.2%):						
Aceto Corporation	2.00%	2020/11/01	USD	4,478,000	3,384,670	4,592,666
Alliance Data Systems Corporation	5.38%	2022/08/01	USD	3,790,000	4,917,911	5,064,158
Amyris, Inc.	9.50%	2019/04/15	USD	6,500,000	7,353,764	8,901,095
Amyris, Inc.	6.50%	2019/05/15	USD	7,526,000	8,500,163	10,170,322
Avanos Medical, Inc.	6.25%	2022/10/15	USD	4,392,000	6,070,145	5,980,969
Beazer Homes USA, Inc.	8.75%	2022/03/15	USD	3,000,000	4,070,378	4,105,839
Beazer Homes USA, Inc.	6.75%	2025/03/15	USD	3,000,000	3,554,135	3,537,575
Beazer Homes USA, Inc.	5.88%	2027/10/15	USD	2,000,000	2,175,613	2,170,668
Century Aluminum Company	7.50%	2021/06/01	USD	5,000,000	6,698,203	6,757,740
CF Industries, Inc.	3.40%	2021/12/01	USD	5,000,000	6,422,697	6,697,604
Dean Foods Company	6.50%	2023/03/15	USD	10,000,000	11,561,814	10,955,730
Era Group Inc.	7.75%	2022/12/15	USD	1,500,000	1,861,931	1,976,127
FireEye, Inc.	1.63%	2035/06/01	USD	2,000,000	2,431,594	2,494,212
FLIR Systems, Inc.	3.13%	2021/06/15	USD	1,000,000	1,309,619	1,346,776
Global Brokerage, Inc.	7.00%	2023/02/08	USD	3,588,222	2,121,404	832,769
Global Eagle Entertainment Inc.	3.25%	2035/02/15	USD	5,750,000	4,884,888	5,823,951
GoPro, Inc.	3.50%	2022/04/15	USD	3,600,000	4,113,753	4,048,501
ION Geophysical Corporation	9.13%	2021/12/15	USD	1,000,000	1,222,912	1,317,418
LGI Homes, Inc.	6.88%	2026/07/15	USD	7,040,000	8,558,191	8,673,935
Louisiana-Pacific Corporation	4.88%	2024/09/15	USD	11,000,000	14,284,313	14,529,141
McDonald's Corporation	3.13%	2025/03/04	CAD	14,000,000	13,892,560	13,782,230
Netflix, Inc.	5.38%	2021/02/01	USD	3,286,000	4,376,568	4,553,338
Netflix, Inc.	5.50%	2022/02/15	USD	7,700,000	10,371,608	10,643,441
PepsiCo, Inc.	2.15%	2024/05/06	CAD	3,000,000	2,869,313	2,875,620
PHI, Inc.	5.25%	2019/03/15	USD	1,000,000	1,233,897	941,988

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

# PENDER CORPORATE BOND FUND

Schedule of Investment Portfolio (continued)

December 31, 2018

	Interest rate	Maturity date	Issue currency	Face value/ Number of shares	Cost	Fair value
<b>Corporate bonds and loans (continued):</b>						
United States (42.2%) (continued):						
Samson Investment Company	9.75%	2020/02/15	USD	5,000,000	69,641	307,170
Steel Connect, Inc.	5.25%	2019/03/01	USD	6,220,000	7,430,141	8,535,785
SunPower Corporation	0.87%	2021/06/01	USD	518,000	525,971	541,880
SunPower Corporation	4.00%	2023/01/15	USD	13,707,000	14,538,116	15,100,778
SunPower Corporation	4.20%	2020/09/15	USD	4,000,000	5,262,323	5,413,982
Syantec Corporation	3.95%	2022/06/15	USD	6,000,000	7,534,508	7,898,013
Tesla Inc.	5.30%	2025/08/15	USD	3,209,000	3,772,395	3,822,359
The KEYW Holding Corporation	2.50%	2019/07/15	USD	1,000,000	1,208,553	1,358,748
The Walt Disney Company	2.76%	2024/10/07	CAD	7,000,000	6,893,110	6,870,360
The William Carter Company	5.25%	2021/08/15	USD	220,000	290,241	299,593
TMST, Inc.	8.00%	2013/05/15	USD	3,712,000	1,220,025	1,697,654
Verisign, Inc.	4.63%	2023/05/01	USD	13,946,000	18,283,961	18,801,090
W&T Offshore, Inc.	9.75%	2023/11/01	USD	9,100,000	11,228,865	10,994,638
Zillow Group, Inc.	1.50%	2023/07/01	USD	4,000,000	4,639,915	4,718,235
					221,139,809	229,134,098
Foreign (5.2%):						
Export-Import Bank of Korea	2.71%	2019/12/05	CAD	1,800,000	1,796,670	1,800,810
Golden Ocean Group Limited	3.07%	2019/01/30	USD	200,000	259,725	271,334
Grupo FAMSA, S.A.B. de C.V.	7.25%	2020/06/01	USD	5,658,000	6,831,389	6,968,478
JD.com, Inc.	3.13%	2021/04/29	USD	2,000,000	2,543,648	2,642,044
National Grid Electricity Transmission plc	2.90%	2019/11/26	CAD	10,000,000	10,101,550	10,044,544
Navios Maritime Holdings Inc.	11.25%	2022/08/15	USD	6,000,000	7,183,865	6,327,702
Novasep Holding SAS	1.00%	2032/12/15	USD	487,750	284,025	-
					29,000,872	28,054,912
<b>Total corporate bonds and loans (73.6%)</b>					<b>\$390,411,468</b>	<b>\$399,693,398</b>
Closed-end funds (6.4%):						
Aberdeen Asia-Pacific Income Fund Inc.			USD	200,000	1,229,384	1,056,665
BlackRock MuniHoldings California Quality Fund Inc.			USD	100,000	1,665,370	1,683,292
BlackRock Muni Intermediate Duration Fund Inc.			USD	240,000	4,065,227	4,144,747
BlackRock MuniYield California Quality Fund Inc.			USD	230,000	3,911,226	3,968,909
BrandywineGLOBAL Global Income Opportunities Fund			USD	158,948	2,624,924	2,252,417
Invesco Pennsylvania Value Municipal Income Trust			USD	130,081	2,009,588	2,061,780
Nuveen Maryland Quality Municipal Income Fund			USD	325,000	5,097,395	5,200,046
Nuveen New York AMT-Free Quality Municipal Income Fund			USD	130,000	2,024,103	2,067,595
Nuveen New York Quality Municipal Income Fund			USD	240,000	3,892,653	4,013,688
Nuveen Pennsylvania Quality Municipal Income Fund			USD	145,000	2,416,908	2,415,039
Nuveen Quality Municipal Income Fund			USD	260,000	4,346,252	4,451,098
Western Asset Emerging Markets Debt Fund Inc.			USD	90,406	1,702,154	1,516,860
					34,985,184	34,832,136
Government bonds (14.3%)						
City of Vancouver	4.90%	2019/12/02	CAD	3,000,000	3,123,300	3,078,539
City of Vancouver	4.50%	2020/06/01	CAD	4,000,000	4,156,760	4,134,468
Government of Canada	1.25%	2019/11/01	CAD	8,500,000	8,433,040	8,461,755
Government of Canada	1.75%	2020/08/01	CAD	10,000,000	9,926,800	9,984,484
Government of Canada	2.00%	2020/11/01	CAD	4,000,000	3,973,800	4,010,024
Government of Canada	0.75%	2021/03/01	CAD	5,000,000	4,823,250	4,882,687
Government of Canada	10.50%	2021/03/15	CAD	3,000,000	3,599,760	3,555,921
Government of Canada	2.75%	2022/06/01	CAD	10,500,000	10,745,225	10,802,847
United States Treasury Bond	2.00%	2022/10/31	USD	6,000,000	7,608,506	8,045,806
United States Treasury Bond	2.88%	2023/10/31	USD	11,000,000	14,497,057	15,266,185
United States Treasury Bond	2.75%	2023/11/15	USD	4,000,000	5,267,621	5,522,341
					76,155,119	77,745,057

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

# PENDER CORPORATE BOND FUND

Schedule of Investment Portfolio (continued)

December 31, 2018

	Dividend rate	Issue currency	Number of shares	Cost	Fair value
Preferred shares (4.7%):					
Aimia Inc., Series 1	4.5%	CAD	88,300	\$ 1,006,474	\$ 2,163,350
Aimia Inc., Series 2	Variable	CAD	11,600	140,797	283,736
Aimia Inc., Series 3	6.25%	CAD	60,400	824,949	1,485,236
BCE Inc., Series AC	4.38%	CAD	75,000	1,285,500	1,337,250
BCE Inc., Series AD	Variable	CAD	55,000	1,145,891	959,750
BCE Inc., Series AJ	Variable	CAD	75,000	1,531,892	1,303,500
BCE Inc., Series AI	2.75%	CAD	73,800	1,442,018	1,211,796
Braemar Hotels & Resorts	5.50%	USD	139,404	3,367,001	3,264,843
Brookfield Office Properties Inc., Series AA	4.75%	CAD	38,000	638,020	678,300
Brookfield Office Properties Inc., Series GG	4.85%	CAD	45,000	832,806	885,600
Brookfield Office Properties Inc., Series N	3.78%	CAD	47,900	776,040	829,628
Brookfield Office Properties Inc., Series P	4.16%	CAD	103,400	1,681,365	1,788,820
Brookfield Office Properties Inc., Series R	4.16%	CAD	98,100	1,720,004	1,826,622
Brookfield Renewable Power Preferred Equity Inc., Class A, Series 5	5.00%	CAD	47,700	925,914	977,850
Capstone Infrastructure Corporation, Series A	3.27%	CAD	31,900	399,088	417,571
Fairfax Financial Holdings Limited, Series E	2.91%	CAD	35,000	563,221	554,750
Fairfax Financial Holdings Limited, Series G	3.32%	CAD	84,700	1,390,251	1,422,960
George Weston Limited, Series III	Variable	CAD	92,100	2,288,035	2,149,614
George Weston Limited, Series IV	Variable	CAD	11,300	255,010	261,595
George Weston Limited, Series V	Variable	CAD	92,500	2,160,704	1,995,225
				24,374,980	25,797,996
Less: Transaction costs included in cost of investments				(110,767)	-
<b>Total investments (99.0%)</b>				<b>\$525,815,984</b>	<b>\$538,068,587</b>
	Settlement date	Contract rate	Pay	Receive	Unrealized gain (loss)
Derivative liabilities (-1.9%):					
BNY Mellon, Foreign Currency Forward	2019/01/16	1.31	USD 201,900,314	CAD 265,269,300	(10,266,145)
					(10,266,145)
Cash (1.8%)					9,965,433
Other assets less liabilities (1.1%)					5,728,283
<b>Total net assets attributable to holders of redeemable units (100.0%)</b>					<b>\$543,496,158</b>

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

# PENDER NORTH AMERICAN SMALL CAP FUND

Statement of Financial Position

December 31, 2018

	Notes	2018
<b>Assets</b>		
Cash		\$ 1,309
Receivable for investments sold		1,019
Dividends receivable		28
Interest receivable		27
Investments		113,853
		<hr/> 116,236
<b>Liabilities</b>		
Management and administration fees payable	4	29
Accrued expenses		158
		<hr/> 187
<b>Net assets</b> , attributable to holders of redeemable units		<hr/> \$ 116,049
Net assets attributable to holders of redeemable units per class:		
Class A		\$ 3,823
Class D		3,839
Class F		3,844
Class H		3,829
Class I		3,847
Class O		96,867
		<hr/> \$ 116,049
Net assets attributable to holders of redeemable units per unit:		
Class A		\$ 7.65
Class D		7.68
Class F		7.69
Class H		7.66
Class I		7.69
Class O		7.75

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

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

"Kelly Edmison"

Director

"David Barr"

Director

# PENDER NORTH AMERICAN SMALL CAP FUND

## Statement of Comprehensive Income

For the period from June 25, 2018 to December 31, 2018

	Notes	2018
Revenue:		
Dividend income		\$ 838
Interest for distribution purposes		27
Foreign exchange gain (loss)		(31)
Changes in fair value of investments and derivatives:		
Net realized gain (loss)		(2,251)
Net change in unrealized appreciation (depreciation)		(31,217)
Total revenue		(32,634)
Expenses:		
Transactions costs		1,114
Management fees	4	153
Administration fees	4	50
Independent review committee fees		2
Total expenses		1,319
Less: expenses absorbed by the Manager		(2)
Net expenses		1,317
Increase (decrease) in net assets attributable to holders of redeemable units		\$ (33,951)
Increase (decrease) in net assets attributable to holders of redeemable units per class:		
Class A		\$ (1,177)
Class D		(1,161)
Class F		(1,156)
Class H		(1,171)
Class I		(1,153)
Class O		(28,133)
		\$ (33,951)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Class A		\$ (2.35)
Class D		(2.32)
Class F		(2.31)
Class H		(2.34)
Class I		(2.30)
Class O		(2.24)

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



# PENDER NORTH AMERICAN SMALL CAP FUND

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

For the period from June 25, 2018 to December 31, 2018

<b>Class A</b>	2018
Balance, beginning of period	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	(1,177)
Unit transactions:	
Proceeds from issue of redeemable units	5,000
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	-
	5,000
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
<b>Balance, end of period</b>	<b>\$ 3,823</b>
<b>Class D</b>	2018
Balance, beginning of period	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	(1,161)
Unit transactions:	
Proceeds from issue of redeemable units	5,000
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	-
	5,000
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
<b>Balance, end of period</b>	<b>\$ 3,839</b>
<b>Class F</b>	2018
Balance, beginning of period	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	(1,156)
Unit transactions:	
Proceeds from issue of redeemable units	5,000
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	-
	5,000
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
<b>Balance, end of period</b>	<b>\$ 3,844</b>

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

# PENDER NORTH AMERICAN SMALL CAP FUND

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

For the period from June 25, 2018 to December 31, 2018

<b>Class H</b>	2018
Balance, beginning of period	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	(1,171)
Unit transactions:	
Proceeds from issue of redeemable units	5,000
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	-
	5,000
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
<b>Balance, end of period</b>	<b>\$ 3,829</b>
<b>Class I</b>	<b>2018</b>
Balance, beginning of period	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	(1,153)
Unit transactions:	
Proceeds from issue of redeemable units	5,000
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	-
	5,000
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
<b>Balance, end of period</b>	<b>\$ 3,847</b>
<b>Class O</b>	<b>2018</b>
Balance, beginning of period	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	(28,133)
Unit transactions:	
Proceeds from issue of redeemable units	125,000
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	-
	125,000
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
<b>Balance, end of period</b>	<b>\$ 96,867</b>

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

# PENDER NORTH AMERICAN SMALL CAP FUND

## Statement of Cash Flows

For the period from June 25, 2018 to December 31, 2018

	2018
Cash provided by (used in):	
Operating:	
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (33,951)
Adjustments for:	
Dividend income	(838)
Interest for distribution purposes	(27)
Foreign exchange (gain) loss	31
Net realized (gain) loss on sale of investments	2,251
Net change in unrealized (appreciation) depreciation of investments	31,217
Management and administration fees payable	29
Accrued expenses	158
Proceeds on disposal of investments	32,567
Amounts paid on purchase of investments	(180,907)
Dividends received	810
	<u>(148,660)</u>
Financing:	
Proceeds from issue of redeemable units	150,000
	<u>150,000</u>
Net increase (decrease) in cash	1,340
Cash, beginning of period	-
Effect of exchange rate fluctuations on cash	(31)
Cash, end of period	<u>\$ 1,309</u>

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

# PENDER NORTH AMERICAN SMALL CAP FUND

Schedule of Investment Portfolio

December 31, 2018

	Number of shares	Cost	Fair value
<b>Equities:</b>			
Communications Services (5.9%):			
Wow Unlimited Media Inc.	5,700	\$ 6,897	\$ 6,840
		6,897	6,840
Consumer Discretionary (14.2%):			
Diversified Royalty Corp.	1,400	4,284	3,962
Freshii Inc., 'Class A'	1,100	7,194	2,816
Real Matters Inc.	1,300	7,163	4,290
Transat A.T. Inc.	900	7,725	5,355
		26,366	16,423
Diversified Financials (9.0%):			
Chesswood Group Limited	400	4,444	4,156
Crown Capital Partners Inc.	600	6,096	6,240
		10,540	10,396
Energy (4.5%):			
Athabasca Oil Corporation	3,900	7,188	3,861
PHI, Inc.	550	5,989	1,389
		13,177	5,250
Health Care (8.7%):			
Medexus Pharmaceuticals Inc.	1,176	6,000	5,645
Vigil Health Solutions Inc.	12,500	6,156	4,500
		12,156	10,145
Industrials (12.9%):			
Maxar Technologies Ltd.	105	2,312	1,713
RediShred Capital Corp.	12,500	7,500	8,250
The Middleby Corporation	36	4,843	5,048
		14,655	15,011
Information Technology (37.7%):			
Asure Software, Inc.	210	4,486	1,456
C-Com Satellite Systems Inc.	4,200	4,572	4,956
Data I/O Corporation	500	3,682	3,413
Espial Group Inc.	5,000	7,789	5,700
Model N, Inc.	205	4,063	3,703
Pixelworks, Inc.	840	3,977	3,326
ProntoForms Corporation	19,200	7,402	6,240
Redline Communications Group Inc.	4,300	7,871	6,020
Sangoma Technologies Corporation	6,200	7,602	7,254
SeaChange International, Inc.	1,000	4,224	1,720
		55,668	43,788
<b>Total equities (92.9%)</b>		<b>139,459</b>	<b>107,853</b>

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

# PENDER NORTH AMERICAN SMALL CAP FUND

Schedule of Investment Portfolio (continued)

December 31, 2018

	Interest rate / exercise price	Maturity / expiry date	Issue currency	Face value / Number of units	Cost	Fair value
<b>Corporate bonds and loans:</b>						
Corporate Bond (5.2%):						
exactEarth Ltd.	9.00%	2023/12/13	CAD	6,000	\$ 6,000	\$ 6,000
Total corporate bonds (5.2%)					6,000	6,000
<b>Warrants:</b>						
Warrants (0.0%):						
Medexus Pharmaceuticals Inc.	9.45	2023/10/16	CAD	588	-	-
Total warrants (0.0%)					-	-
Less: Transaction costs included in cost of investments					(389)	-
<b>Total investments (98.1%)</b>					<b>\$ 145,070</b>	<b>\$ 113,853</b>
Cash (1.1%)						\$ 1,309
Other assets less liabilities (0.8%)						887
<b>Total net assets attributable to holders of redeemable units (100.0%)</b>						<b>\$ 116,049</b>

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

# PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Financial Position

December 31, 2018 and 2017

	Notes	2018	2017
<b>Assets</b>			
Cash		\$ 1,853,452	\$ 32,345,628
Subscriptions receivable		361,241	41,650
Receivable for investments sold		-	2,118,453
Dividends receivable		120,066	171,240
Interest receivable		160,666	107,774
Other receivable		15,754	41,434
Investments		156,272,923	155,116,122
		158,784,102	189,942,301
<b>Liabilities</b>			
Management and administration fees payable	4	170,749	207,438
Redemptions payable to holders of redeemable units		179,959	51,778
Distributions payable to holders of redeemable units		38,001	44,210
Payable for investments purchased		-	28,706
Accrued expenses		982	-
		389,691	332,132
<b>Net assets</b> , attributable to holders of redeemable units		\$ 158,394,411	\$ 189,610,169
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 30,867,470	\$ 43,406,940
Class B		735,163	-
Class F		74,395,389	97,266,295
Class G		2,350,683	-
Class I		10,805,754	5,347,136
Class N		32,721,825	36,673,297
Class O		6,518,127	6,916,501
		\$ 158,394,411	\$ 189,610,169
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 22.77	\$ 26.88
Class B		8.59	-
Class F		22.75	26.53
Class G		8.64	-
Class I		10.74	12.51
Class N		9.94	11.55
Class O		22.60	26.02

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

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

"Kelly Edmison" Director
 "David Barr" Director

# PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Comprehensive Income

Years ended December 31, 2018 and 2017

	Notes	2018	2017
<b>Revenue:</b>			
Dividend income		\$ 2,194,601	\$ 1,791,036
Interest for distribution purposes		435,304	351,436
Securities lending income	5	272,152	35,563
Foreign exchange gain (loss)		398,660	(929,588)
Changes in fair value of investments:			
Net realized gain (loss)		14,058,959	19,789,003
Net change in unrealized appreciation (depreciation)		(40,831,038)	(5,079,991)
<b>Total revenue</b>		<b>(23,471,362)</b>	<b>15,957,459</b>
<b>Expenses:</b>			
Management fees	4	1,867,938	1,856,716
Administration fees	4	906,204	774,890
Transaction costs		371,413	222,559
Independent review committee fees		2,849	7,055
Withholding taxes (recovery)	6	833	3,184
Other taxes (recovery)		(51,818)	(91,453)
<b>Total expenses</b>		<b>3,097,419</b>	<b>2,772,951</b>
<b>Less: expenses absorbed by the Manager</b>		<b>(2,849)</b>	<b>(7,055)</b>
<b>Net expenses</b>		<b>3,094,570</b>	<b>2,765,896</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>\$ (26,565,932)</b>	<b>\$ 13,191,563</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class:</b>			
Class A		\$ (5,901,321)	\$ 3,756,859
Class B		(6,098)	-
Class F		(12,508,928)	8,053,638
Class G		(108,890)	-
Class I		(1,675,328)	63,949
Class N		(5,601,407)	671,853
Class O		(763,960)	645,264
		<b>\$ (26,565,932)</b>	<b>\$ 13,191,563</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>			
Class A		\$ (3.93)	\$ 2.24
Class B		(0.71)	-
Class F		(3.58)	2.46
Class G		(3.27)	-
Class I		(2.12)	0.16
Class N		(1.64)	0.24
Class O		(3.21)	2.65

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

# PENDER SMALL CAP OPPORTUNITIES FUND

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

Years ended December 31, 2018 and 2017

<b>Class A</b>	Notes	2018	2017
Balance, beginning of year		\$ 43,406,940	\$ 47,224,207
Increase (decrease) in net assets attributable to holders of redeemable units		(5,901,321)	3,756,859
Unit transactions			
Proceeds from issue of redeemable units		9,504	11,999
Issued on reinvestment of distributions		4,456	1,823,386
Amounts paid on redemption of redeemable units		(6,648,683)	(7,566,241)
		(6,634,723)	(5,730,856)
Distributions paid from:			
Net investment income		(3,426)	(9,425)
Realized gains on sale of investments		-	(1,833,845)
Return of capital		-	-
		(3,426)	(1,843,270)
<b>Balance, end of year</b>		<b>\$ 30,867,470</b>	<b>\$ 43,406,940</b>
<b>Class B</b>		2018	2017
Balance, beginning of year		\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units		(6,098)	-
Unit transactions			
Proceeds from issue of redeemable units	4	741,274	-
Issued on reinvestment of distributions		-	-
Amounts paid on redemption of redeemable units		-	-
		741,274	-
Distributions paid from:			
Net investment income		(13)	-
Realized gains on sale of investments		-	-
Return of capital		-	-
		(13)	-
<b>Balance, end of year</b>		<b>\$ 735,163</b>	<b>\$ -</b>
<b>Class F</b>		2018	2017
Balance, beginning of year		\$ 97,266,295	\$ 83,271,586
Increase (decrease) in net assets attributable to holders of redeemable units		(12,508,928)	8,053,638
Unit transactions			
Proceeds from issue of redeemable units		1,916,437	11,923,076
Issued on reinvestment of distributions		128,190	(5,065,741)
Amounts paid on redemption of redeemable units		(12,284,857)	(5,330,803)
		(10,240,230)	11,658,014
Distributions paid from:			
Net investment income		(121,748)	(113,562)
Realized gains on sale of investments		-	(5,603,381)
Return of capital		-	-
		(121,748)	(5,716,943)
<b>Balance, end of year</b>		<b>\$ 74,395,389</b>	<b>\$ 97,266,295</b>

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



# PENDER SMALL CAP OPPORTUNITIES FUND

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

Years ended December 31, 2018 and 2017

<b>Class G</b>	Notes	2018	2017
Balance, beginning of year		\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units		(108,890)	-
Unit transactions			
Proceeds from issue of redeemable units	4	4,411,815	-
Issued on reinvestment of distributions		-	-
Amounts paid on redemption of redeemable units		(1,952,229)	-
		2,459,586	-
Distributions paid from:			
Net investment income		(13)	-
Realized gains on sale of investments		-	-
Return of capital		-	-
		(13)	-
<b>Balance, end of year</b>		<b>\$ 2,350,683</b>	<b>\$ -</b>
<b>Class I</b>		<b>2018</b>	<b>2017</b>
Balance, beginning of year		\$ 5,347,136	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units		(1,675,328)	63,949
Unit transactions			
Proceeds from issue of redeemable units	4	7,259,264	5,870,050
Issued on reinvestment of distributions		7,391	312,753
Amounts paid on redemption of redeemable units		(124,022)	(571,430)
		7,142,633	5,611,373
Distributions paid from:			
Net investment income		(8,687)	(5,479)
Realized gains on sale of investments		-	(322,707)
Return of capital		-	-
		(8,687)	(328,186)
<b>Balance, end of year</b>		<b>\$ 10,805,754</b>	<b>\$ 5,347,136</b>
<b>Class N</b>		<b>2018</b>	<b>2017</b>
Balance, beginning of year		\$ 36,673,297	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units		(5,601,407)	671,853
Unit transactions			
Proceeds from issue of redeemable units	4	10,608,387	45,083,768
Issued on reinvestment of distributions		303	2,120,689
Amounts paid on redemption of redeemable units		(8,958,511)	(8,925,091)
		1,650,179	38,279,366
Distributions paid from:			
Net investment income		(244)	(13,024)
Realized gains on sale of investments		-	(2,264,898)
Return of capital		-	-
		(244)	(2,277,922)
<b>Balance, end of year</b>		<b>\$ 32,721,825</b>	<b>\$ 36,673,297</b>

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

# PENDER SMALL CAP OPPORTUNITIES FUND

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

Years ended December 31, 2018 and 2017

<b>Class O</b>	Notes	2018	2017
Balance, beginning of year		\$ 6,916,501	\$ 5,534,105
Increase (decrease) in net assets attributable to holders of redeemable units		(763,960)	645,264
Unit transactions			
Proceeds from issue of redeemable units	4	1,468,582	942,160
Issued on reinvestment of distributions		-	472,184
Amounts paid on redemption of redeemable units		(1,102,996)	(205,029)
		365,586	1,209,315
Distributions paid from:			
Net investment income		-	(43,320)
Realized gains on sale of investments		-	(428,863)
Return of capital		-	-
		-	(472,183)
Balance, end of year		\$ 6,518,127	\$ 6,916,501

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

# PENDER SMALL CAP OPPORTUNITIES FUND

## Statements of Cash Flows

Years ended December 31, 2018 and 2017

	2018	2017
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (26,565,932)	\$ 13,191,563
Adjustments for:		
Dividend income	(2,194,601)	(1,791,036)
Interest for distribution purposes	(435,304)	(351,436)
Foreign exchange (gain) loss	(398,660)	929,588
Net realized (gain) loss on sale of investments	(14,058,959)	(19,789,003)
Net change in unrealized (appreciation) depreciation of investments	40,831,038	5,079,991
Management and administration fees payable	(34,725)	(30,173)
Accrued expenses	(982)	-
Other receivable	25,680	(41,434)
Proceeds on disposal of investments	94,568,134	70,717,913
Amounts paid on purchase of investments	(114,340,536)	(73,264,739)
Dividends received	2,245,775	1,758,935
Interest received	382,412	450,735
	(19,976,660)	(3,139,096)
Financing:		
Proceeds from issue of redeemable units	16,210,654	18,257,018
Cash received on merger	544,940	9,958,509
Amounts paid on redemption of redeemable units	(27,669,770)	(10,422,197)
Distributions paid to unitholders	-	(799,540)
	(10,914,176)	16,993,790
Net increase (decrease) in cash	(30,890,836)	13,854,694
Cash, beginning of year	32,345,628	19,420,522
Effect of exchange rate fluctuations on cash	398,660	(929,588)
Cash, end of year	\$ 1,853,452	\$ 32,345,628

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

# PENDER SMALL CAP OPPORTUNITIES FUND

Schedule of Investment Portfolio

December 31, 2018

	Number of shares	Cost	Fair value
<b>Equities:</b>			
Communications services (5.4%):			
Mediagrif Interactive Technologies Inc.	399,000	\$ 4,148,949	\$ 3,814,440
TeraGo Inc.	439,800	2,207,309	4,697,064
		6,356,258	8,511,504
Consumer discretionary (18.2%):			
Aritzia Inc.	193,700	2,548,936	3,176,680
Diversified Royalty Corp.	2,869,258	7,846,998	8,120,000
Freshii Inc., Class 'A'	1,466,001	8,565,318	3,752,963
Indigo Books & Music Inc.	325,000	5,152,932	3,666,000
Points International Ltd.	138,260	1,749,133	1,883,101
Real Matters Inc.	1,645,700	7,436,412	5,430,810
Transat A.T. Inc.	509,600	4,152,070	3,032,120
		37,451,799	29,061,674
Consumer staples (1.8%):			
Brick Brewing Co. Limited	433,700	1,721,006	1,214,360
GreenSpace Brands Inc.	4,461,167	5,357,446	1,695,243
		7,078,452	2,909,603
Diversified financials (5.9%):			
Chesswood Group Limited	430,900	4,921,720	4,477,051
Crown Capital Partners Inc.	220,400	2,210,400	2,292,160
Deans Knight Income Corp.	3,000	1,200	1,200
Fiera Capital Corporation	223,491	2,719,979	2,523,213
		9,853,299	9,293,624
Energy (7.8%):			
Athabasca Oil Corporation	2,525,500	3,733,283	2,500,245
Leucrotta Exploration Inc.	997,000	1,887,956	957,120
PHI, Inc.	160,400	1,911,319	405,109
Questor Technology Inc.	1,018,800	2,049,019	3,402,792
TerraVest Industries Inc.	497,400	3,182,916	5,053,584
		12,764,493	12,318,850
Health care (9.3%):			
Clarius Mobile Health Corp., Preferred, Series '1'	1,123,596	1,000,000	1,000,000
Knight Therapeutics Inc.	514,857	4,127,568	3,959,250
Medexus Pharmaceuticals Inc.	194,901	994,000	935,525
Medicare Inc.	1,110,650	4,549,243	6,830,498
Vigil Health Solutions Inc.	1,589,000	227,433	572,040
Waverley Pharma Inc.	4,000,000	2,000,000	880,000
WELL Health Technologies Corp.	1,188,000	451,440	534,600
		13,349,684	14,711,913
Industrials (1.7%):			
exactEarth Ltd.	626,552	702,766	140,974
INSCAPE Corp., Class 'B'	1,082,740	3,358,761	1,553,732
RediShred Capital Corp.	1,475,900	885,540	974,094
		4,947,067	2,668,800

# PENDER SMALL CAP OPPORTUNITIES FUND

Schedule of Investment Portfolio (continued)

December 31, 2018

	Number of shares	Cost	Fair value
<b>Equities (continued):</b>			
Information technology (36.0%):			
Absolute Software Corporation	991,700	\$ 6,665,790	\$ 7,675,758
AgJunction Inc.	5,158,600	3,086,457	4,126,880
Asure Software, Inc.	131,300	1,836,096	910,594
BSM Technologies Inc.	3,764,712	2,891,980	3,011,770
Critical Control Energy Services Corp.	4,421,200	1,432,263	309,484
eGain Corporation	444,794	4,971,621	3,989,519
Espial Group Inc.	3,536,741	6,560,031	4,031,885
Model N, Inc.	183,351	3,629,771	3,311,612
NexJ Systems Inc.	779,400	2,432,377	982,044
Photon Control Inc.	1,842,900	2,015,934	2,008,761
Pixelworks, Inc.	707,324	4,481,928	2,800,352
ProntoForms Corporation	5,135,700	1,834,674	1,669,103
Redline Communications Group Inc.	1,719,911	4,439,069	2,407,875
Sangoma Technologies Corporation	4,325,260	4,190,173	5,060,554
Sierra Wireless, Inc.	239,990	5,829,201	4,399,017
Siyata Mobile Inc.	2,774,000	1,563,913	1,192,820
Solium Capital Inc.	340,700	3,487,438	4,016,853
Tantalus Systems Corp., Preferred, Class 'D'	294,392	910,536	2,752,124
Upland Software Inc.	67,786	1,893,147	2,515,277
		64,152,399	57,172,282
Insurance (1.1%):			
Trisura Group Ltd.	65,600	1,735,663	1,712,160
		1,735,663	1,712,160
Real estate (2.2%):			
Dream Unlimited Corp., Class 'A'	498,400	3,971,726	3,409,056
		3,971,726	3,409,056
Utilities (4.4%):			
Maxim Power Corp.	1,634,499	4,569,095	3,546,863
Polaris Infrastructure Inc.	328,213	3,787,477	3,380,594
		8,356,572	6,927,457
<b>Total equities (93.8%)</b>		<b>\$ 170,017,412</b>	<b>\$ 148,696,923</b>

	Interest rate	Maturity date	Issue currency	Face value	Cost	Fair value
<b>Corporate bonds:</b>						
Corporate bonds (4.5%):						
exactEarth Ltd.	9.00%	2023/12/13	CAD	2,377,000	\$ 2,377,000	\$ 2,377,000
Good Natured Products Inc.	10.00%	2022/02/28	CAD	2,800,000	2,800,000	2,800,000
Siyata Mobile Inc.	10.50%	2020/06/28	CAD	2,000,000	2,000,000	2,000,000
<b>Total corporate bonds (4.5%)</b>					<b>7,177,000</b>	<b>7,177,000</b>

# PENDER SMALL CAP OPPORTUNITIES FUND

Schedule of Investment Portfolio (continued)

December 31, 2018

	Exercise price	Expiry date	Issue currency	Number of units	Cost	Fair value
<b>Warrants:</b>						
Warrants (0.3%):						
Energy Fuels Inc.	3.20	2019/03/14	USD	9,600	\$ 3,311	\$ -
Energy Fuels Inc.	2.45	2021/09/20	CAD	200,000	-	368,000
Good Natured Products Inc.	0.10	2022/02/28	CAD	4,200,000	-	21,000
Medexus Pharmaceuticals Inc.	9.45	2023/10/16	CAD	97,450	-	-
Siyata Mobile Inc.	0.50	2019/03/16	CAD	500,000	-	-
Siyata Mobile Inc.	0.70	2019/12/28	CAD	2,000,000	-	-
WELL Health Technologies Corp.	0.25	2019/06/13	CAD	50,000	-	10,000
Total warrants (0.3%)					3,311	399,000
Less: Transaction costs included in cost of investments					(302,700)	-
<b>Total investments (98.6%)</b>					<b>\$ 176,895,023</b>	<b>\$ 156,272,923</b>
Cash (1.2%)						\$ 1,853,452
Other assets less liabilities (0.2%)						268,036
<b>Total net assets attributable to holders of redeemable units (100.0%)</b>						<b>\$ 158,394,411</b>

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

# PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Financial Position

December 31, 2018 and 2017

	Notes	2018	2017
<b>Assets</b>			
Cash		\$ 633,869	\$ 674,925
Subscriptions receivable		495	20,000
Dividends receivable		24,476	30,623
Other receivables		2,446	231
Investments		14,171,957	20,588,569
		14,833,243	21,314,348
<b>Liabilities</b>			
Management and administration fees payable	4	20,136	28,955
Distributions payable to holders of redeemable units		2,735	2,280
Payable for investments purchased		367,301	-
Accrued expenses		210	-
		390,382	31,235
<b>Net assets</b> , attributable to holders of redeemable units		\$ 14,442,861	\$ 21,283,113
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 8,503,116	\$ 9,827,861
Class D		35,613	19,784
Class F		4,375,544	11,418,974
Class H		205,637	5,066
Class I		1,317,043	5,088
Class O		5,908	6,340
		\$ 14,442,861	\$ 21,283,113
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 11.09	\$ 12.89
Class D		9.44	11.14
Class F		11.26	13.03
Class H		8.22	9.67
Class I		8.30	9.68
Class O		10.00	11.62

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

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

"Kelly Edmison"

Director

"David Barr"

Director

# PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Comprehensive Income

Years ended December 31, 2018 and 2017

	Notes	2018	2017
<b>Revenue:</b>			
Dividend income		\$ 208,656	\$ 268,919
Distributions from underlying funds		148,930	235,156
Interest for distribution purposes		1,792	-
Securities lending income	5	28,157	7,199
Foreign exchange gain (loss)		18,524	(32,692)
Changes in fair value of investments:			
Net realized gain (loss)		400,789	1,234,779
Net change in unrealized appreciation (depreciation)		(1,811,519)	(544,076)
<b>Total revenue</b>		<b>(1,004,671)</b>	<b>1,169,285</b>
<b>Expenses:</b>			
Management fees	4	208,136	259,634
Administration fees	4	77,316	88,297
Withholding taxes (recovery)	6	12,140	12,175
Transaction costs		9,524	9,274
Independent review committee fees		263	792
Other taxes (recovery)		(1,087)	3,968
<b>Total expenses</b>		<b>306,292</b>	<b>374,140</b>
<b>Less expenses absorbed by the Manager</b>		<b>(263)</b>	<b>(792)</b>
<b>Net expenses</b>		<b>306,029</b>	<b>373,348</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>\$ (1,310,700)</b>	<b>\$ 795,937</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class:</b>			
Class A		\$ (862,358)	\$ 423,924
Class D		(3,751)	1,996
Class F		(285,899)	369,446
Class H		(22,610)	66
Class I		(135,650)	88
Class O		(432)	417
		<b>\$ (1,310,700)</b>	<b>\$ 795,937</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>			
Class A		\$ (1.14)	\$ 0.57
Class D		(1.37)	0.42
Class F		(0.79)	0.47
Class H		(2.55)	0.13
Class I		(1.22)	0.18
Class O		(0.78)	0.81

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



# PENDER STRATEGIC GROWTH AND INCOME FUND

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

Years ended December 31, 2018 and 2017

<b>Class A</b>	2018	2017
Balance, beginning of year	\$ 9,827,861	\$ 8,574,047
Increase (decrease) in net assets attributable to holders of redeemable units	(862,358)	423,924
Unit transactions:		
Proceeds from issue of redeemable units	1,798,323	2,885,340
Issued on reinvestment of distributions	420,801	304,421
Amounts paid on redemption of redeemable units	(2,215,309)	(2,013,477)
	3,815	1,176,284
Distributions paid from:		
Net investment income	(20,708)	(31,651)
Realized gains on sale of investments	(445,494)	(314,743)
Return of capital	-	-
	(466,202)	(346,394)
<b>Balance, end of year</b>	<b>\$ 8,503,116</b>	<b>\$ 9,827,861</b>
<b>Class D</b>	2018	2017
Balance, beginning of year	\$ 19,784	\$ 12,663
Increase (decrease) in net assets attributable to holders of redeemable units	(3,751)	1,996
Unit transactions:		
Proceeds from issue of redeemable units	28,606	88,761
Issued on reinvestment of distributions	2,132	232
Amounts paid on redemption of redeemable units	(8,380)	(83,629)
	22,358	5,364
Distributions paid from:		
Net investment income	(473)	(239)
Realized gains on sale of investments	(2,305)	-
Return of capital	-	-
	(2,778)	(239)
<b>Balance, end of year</b>	<b>\$ 35,613</b>	<b>\$ 19,784</b>
<b>Class F</b>	2018	2017
Balance, beginning of year	\$ 11,418,974	\$ 3,189,808
Increase (decrease) in net assets attributable to holders of redeemable units	(285,899)	369,446
Unit transactions:		
Proceeds from issue of redeemable units	1,992,257	10,596,959
Issued on reinvestment of distributions	221,216	217,513
Amounts paid on redemption of redeemable units	(8,707,426)	(2,526,640)
	(6,493,953)	8,287,832
Distributions paid from:		
Net investment income	(42,036)	(93,962)
Realized gains on sale of investments	(221,542)	(334,150)
Return of capital	-	-
	(263,578)	(428,112)
<b>Balance, end of year</b>	<b>\$ 4,375,544</b>	<b>\$ 11,418,974</b>

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

# PENDER STRATEGIC GROWTH AND INCOME FUND

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

Years ended December 31, 2018 and 2017

<b>Class H</b>	2018	2017
Balance, beginning of year	\$ 5,066	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	(22,610)	66
Unit transactions:		
Proceeds from issue of redeemable units	223,182	5,000
Issued on reinvestment of distributions	14,584	232
Amounts paid on redemption of redeemable units	-	-
	237,766	5,232
Distributions paid from:		
Net investment income	(3,949)	(19)
Realized gains on sale of investments	(10,636)	(213)
Return of capital	-	-
	(14,585)	(232)
Balance, end of year	\$ 205,637	\$ 5,066
<b>Class I</b>	2018	2017
Balance, beginning of year	\$ 5,088	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	(135,650)	88
Unit transactions:		
Proceeds from issue of redeemable units	1,500,831	5,000
Issued on reinvestment of distributions	58,187	250
Amounts paid on redemption of redeemable units	(15,816)	-
	1,543,202	5,250
Distributions paid from:		
Net investment income	(25,958)	(36)
Realized gains on sale of investments	(69,639)	(214)
Return of capital	-	-
	(95,597)	(250)
Balance, end of year	\$ 1,317,043	\$ 5,088
<b>Class O</b>	2018	2017
Balance, beginning of year	\$ 6,340	\$ 5,923
Increase (decrease) in net assets attributable to holders of redeemable units	(432)	417
Unit transactions:		
Proceeds from issue of redeemable units	-	-
Issued on reinvestment of distributions	459	357
Amounts paid on redemption of redeemable units	-	-
	459	357
Distributions paid from:		
Net investment income	(154)	(90)
Realized gains on sale of investments	(305)	(267)
Return of capital	-	-
	(459)	(357)
Balance, end of year	\$ 5,908	\$ 6,340

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

# PENDER STRATEGIC GROWTH AND INCOME FUND

## Statements of Cash Flows

Years ended December 31, 2018 and 2017

	2018	2017
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (1,310,700)	\$ 795,937
Adjustments for:		
Dividend income	(208,656)	(268,920)
Distributions received from underlying funds	(148,930)	(235,156)
Interest for distribution purposes	(1,792)	-
Foreign exchange (gain) loss	(18,524)	32,692
Net realized (gain) loss on sale of investments	(400,789)	(1,234,779)
Net change in unrealized (appreciation) depreciation of investments	1,811,519	544,076
Other receivables	(2,215)	(141)
Accrued expenses	210	-
Management and administration fees payable	(8,819)	8,904
Proceeds on disposal of investments	9,329,193	5,914,612
Amounts paid on purchase of investments	(3,956,010)	(14,645,818)
Dividends received	214,803	254,988
Distributions received from underlying funds	148,930	235,156
Interest received	1,792	-
	5,450,012	(8,598,449)
Financing:		
Proceeds from issue of redeemable units	4,257,514	13,198,363
Amounts paid on redemption of redeemable units	(9,641,741)	(4,261,049)
Distributions paid to unitholders	(125,365)	(250,299)
	(5,509,592)	8,687,015
Net increase (decrease) in cash	(59,580)	88,566
Cash, beginning of year	674,925	619,051
Effect of exchange rate fluctuations on cash	18,524	(32,692)
Cash, end of year	\$ 633,869	\$ 674,925

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

# PENDER STRATEGIC GROWTH AND INCOME FUND

Schedule of Investment Portfolio

December 31, 2018

	Number of shares / units	Cost	Fair value
<b>Mutual funds:</b>			
Pender Corporate Bond Fund, Class 'O'	303,037	\$ 3,070,804	\$ 3,225,771
Pender Small Cap Opportunities Fund, Class 'O'	33,973	768,336	759,204
Total Mutual Funds (27.6%)		3,839,140	3,984,975
<b>Equities:</b>			
Banks (2.4%)			
The Bank of Nova Scotia	5,040	324,609	342,972
		324,609	342,972
Communication services (9.6%):			
Alphabet Inc., Class 'C'	350	301,780	494,835
Baidu, Inc. ADR	1,300	302,181	281,477
Liberty Global plc, Series 'C'	10,900	465,318	307,137
TELUS Corporation	6,770	260,241	306,343
		1,329,520	1,389,792
Consumer discretionary (10.7%):			
Freshii Inc., Class 'A'	80,900	621,601	207,104
Hanesbrands Inc.	7,700	193,486	131,717
Newell Brands, Inc.	11,000	332,510	279,170
Real Matters Inc.	73,000	293,460	240,900
Starbucks Corporation	5,300	353,822	465,970
Wynn Resorts, Limited	1,600	214,369	216,051
		2,009,248	1,540,912
Consumer staples (6.9%):			
Alimentation Couche-Tard Inc., Class 'B'	6,500	382,963	441,415
Saputo Inc.	7,800	329,057	305,682
Unilever PLC, ADR	3,500	200,544	249,661
		912,564	996,758
Diversified financials (13.6%):			
Berkshire Hathaway Inc., Class 'B'	900	165,437	250,872
Brookfield Asset Management Inc., Class 'A'	10,200	473,340	533,663
Brookfield Office Properties Inc.	7,600	140,652	149,568
KKR & Co. Inc.	11,600	386,201	310,867
Onex Corporation	6,200	505,388	460,970
Starwood Property Trust, Inc.	9,850	267,002	265,045
		1,938,020	1,970,985
Energy (2.4%):			
ARC Resources Ltd.	15,500	378,365	125,550
Peyto Exploration & Development Corp.	31,200	721,724	220,896
		1,100,089	346,446
Health care (2.4%):			
Roche Holding AG, ADR	8,000	296,749	339,443
		296,749	339,443

# PENDER STRATEGIC GROWTH AND INCOME FUND

Schedule of Investment Portfolio (continued)

December 31, 2018

	Number of shares	Cost	Fair value
<b>Equities (continued):</b>			
Industrials (1.7%):			
Exchange Income Corporation	8,700	\$ 286,615	\$ 245,862
		286,615	245,862
Information technology (4.8%):			
Microchip Technology Incorporated	2,800	278,949	274,919
SS&C Technologies Holdings, Inc.	3,400	153,034	153,034
Visa Inc., Class 'A'	1,460	45,629	262,982
		477,612	690,935
Insurance (2.8%):			
Trisura Group Ltd.	15,664	399,314	408,830
		399,314	408,830
Materials (5.6%):			
CCL Industries Inc., Class 'B'	7,400	455,120	370,444
Winpak Ltd.	9,100	449,097	434,525
		904,217	804,969
Real estate (7.7%):			
Brookfield Property Partners L.P.	13,200	315,540	290,664
Colony Capital, Inc.	26,000	204,895	166,118
Dream Unlimited Corp., Class 'A'	52,500	346,337	359,100
The Howard Hughes Corporation	2,200	333,531	293,196
		1,200,303	1,109,078
Total equities (70.5%)		11,178,860	10,186,982
Less: Transaction costs included in cost of investments		(11,997)	
Total investments (98.1%)		\$ 15,006,003	\$ 14,171,957
Cash (4.4%)			633,869
Other assets less liabilities (-2.5%)			(362,965)
Total net assets attributable to holders of redeemable units (100.0%)			\$ 14,442,861

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

# PENDER US ALL CAP EQUITY FUND

Statements of Financial Position

December 31, 2018 and 2017

	Notes	2018	2017
<b>Assets</b>			
Cash		\$ 39,039	\$ 224,111
Subscriptions receivable		400	2,875
Dividends receivable		-	8,458
Interest receivable		8	-
Other receivable		347	251
Investments		16,720,779	19,418,642
		16,760,573	19,654,337
<b>Liabilities</b>			
Management and administration fees payable	4	15,357	18,433
Distributions payable to holders of redeemable units		6,382	6,888
Accrued expenses		189	-
		21,928	25,321
<b>Net assets</b> , attributable to holders of redeemable units		<b>\$ 16,738,645</b>	<b>\$ 19,629,016</b>
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 6,755,623	\$ 8,215,230
Class A (USD)		579,577	655,366
Class D		33,794	18,329
Class F		4,241,315	4,764,685
Class F (USD)		295,152	638,737
Class H		318,134	352,594
Class I		230,765	283,185
Class O		4,284,285	4,700,890
		\$ 16,738,645	\$ 19,629,016
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 10.22	\$ 12.61
Class A (USD)		9.97	12.32
Class D		7.73	9.59
Class F		10.01	12.42
Class F (USD)		10.04	12.25
Class H		8.09	9.95
Class I		8.05	9.99
Class O		8.34	10.39

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

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

"Kelly Edmison"

Director

"David Barr"

Director

# PENDER US ALL CAP EQUITY FUND

Statements of Comprehensive Income

Years ended December 31, 2018 and 2017

	Notes	2018	2017
<b>Revenue:</b>			
Dividend income		\$ 97,728	\$ 138,101
Interest for distribution purposes		1,226	(1,911)
Foreign exchange gain (loss)		29,253	(37,259)
Securities lending income	5	5,194	865
Changes in fair value of investments:			
Net realized gain (loss)		2,685,279	3,223,338
Net change in unrealized appreciation (depreciation)		(3,424,761)	(107,871)
<b>Total revenue</b>		<b>(606,081)</b>	<b>3,215,263</b>
<b>Expenses:</b>			
Management fees	4	219,412	221,776
Administration fees	4	64,111	64,946
Transaction costs		10,235	7,090
Withholding taxes (recovery)	6	3,523	(1,687)
Other taxes (recovery)		2,531	2,656
Independent review committee fees		304	730
<b>Total expenses</b>		<b>300,116</b>	<b>295,511</b>
<b>Less expenses absorbed by the Manager</b>		<b>(304)</b>	<b>(730)</b>
<b>Net expenses</b>		<b>299,812</b>	<b>294,781</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>\$ (905,893)</b>	<b>\$ 2,920,482</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class:</b>			
Class A		\$ (394,885)	\$ 1,235,164
Class A (USD)		(39,093)	98,879
Class D		(9,125)	3,347
Class F		(225,730)	699,285
Class F (USD)		(14,613)	88,447
Class H		(21,861)	34,637
Class I		(26,014)	28,434
Class O		(174,572)	732,289
		<b>\$ (905,893)</b>	<b>\$ 2,920,482</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>			
Class A		\$ (0.65)	\$ 1.87
Class A (USD)		(0.75)	1.84
Class D		(2.75)	1.41
Class F		(0.59)	1.94
Class F (USD)		(0.31)	1.82
Class H		(0.54)	1.52
Class I		(1.04)	1.91
Class O		(0.39)	1.75

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

# PENDER US ALL CAP EQUITY FUND

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

Years ended December 31, 2018 and 2017

<b>Class A</b>	2018	2017
Balance, beginning of year	\$ 8,215,230	\$ 8,492,168
Increase (decrease) in net assets attributable to holders of redeemable units	(394,885)	1,235,164
Unit transactions:		
Proceeds from issue of redeemable units	197,075	349,345
Issued on reinvestment of distributions	885,211	587,722
Amounts paid on redemption of redeemable units	(1,261,092)	(1,858,757)
	(178,806)	(921,690)
Distributions paid from:		
Net investment income	(468,003)	(3,942)
Realized gains on sale of investments	(417,913)	(586,470)
Return of capital	-	-
	(885,916)	(590,412)
<b>Balance, end of year</b>	<b>\$ 6,755,623</b>	<b>\$ 8,215,230</b>
<b>Class A (USD)</b>	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 655,366	\$ 675,543
Increase (decrease) in net assets attributable to holders of redeemable units	(39,093)	98,879
Unit transactions:		
Proceeds from issue of redeemable units	57,484	38,118
Issued on reinvestment of distributions	56,743	34,836
Amounts paid on redemption of redeemable units	(72,773)	(143,705)
	41,454	(70,751)
Distributions paid from:		
Net investment income	(40,928)	(231)
Realized gains on sale of investments	(37,222)	(48,074)
Return of capital	-	-
	(78,150)	(48,305)
<b>Balance, end of year</b>	<b>\$ 579,577</b>	<b>\$ 655,366</b>
<b>Class D</b>	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 18,329	\$ 15,703
Increase (decrease) in net assets attributable to holders of redeemable units	(9,125)	3,347
Unit transactions:		
Proceeds from issue of redeemable units	113,824	16,400
Issued on reinvestment of distributions	4,978	1,711
Amounts paid on redemption of redeemable units	(89,276)	(16,968)
	29,526	1,143
Distributions paid from:		
Net investment income	(2,849)	(279)
Realized gains on sale of investments	(2,087)	(1,585)
Return of capital	-	-
	(4,936)	(1,864)
<b>Balance, end of year</b>	<b>\$ 33,794</b>	<b>\$ 18,329</b>

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



# PENDER US ALL CAP EQUITY FUND

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

Years ended December 31, 2018 and 2017

<b>Class F</b>	2018	2017
Balance, beginning of year	\$ 4,764,685	\$ 4,457,352
Increase (decrease) in net assets attributable to holders of redeemable units	(225,730)	699,285
Unit transactions:		
Proceeds from issue of redeemable units	404,472	256,259
Issued on reinvestment of distributions	600,694	463,264
Amounts paid on redemption of redeemable units	(687,739)	(637,767)
	317,427	81,756
Distributions paid from:		
Net investment income	(352,303)	(6,694)
Realized gains on sale of investments	(262,764)	(467,014)
Return of capital	-	-
	(615,067)	(473,708)
<b>Balance, end of year</b>	<b>\$ 4,241,315</b>	<b>\$ 4,764,685</b>
<b>Class F (USD)</b>	2018	2017
Balance, beginning of year	\$ 638,737	\$ 564,245
Increase (decrease) in net assets attributable to holders of redeemable units	(14,613)	88,447
Unit transactions:		
Proceeds from issue of redeemable units	61,714	111,003
Issued on reinvestment of distributions	38,129	64,676
Amounts paid on redemption of redeemable units	(390,691)	(123,657)
	(290,848)	52,022
Distributions paid from:		
Net investment income	(19,852)	(1,868)
Realized gains on sale of investments	(18,272)	(64,109)
Return of capital	-	-
	(38,124)	(65,977)
<b>Balance, end of year</b>	<b>\$ 295,152</b>	<b>\$ 638,737</b>
<b>Class H</b>	2018	2017
Balance, beginning of year	\$ 352,594	\$ 210,866
Increase (decrease) in net assets attributable to holders of redeemable units	(21,861)	34,637
Unit transactions:		
Proceeds from issue of redeemable units	349,845	107,864
Issued on reinvestment of distributions	42,452	40,222
Amounts paid on redemption of redeemable units	(363,217)	-
	29,080	148,086
Distributions paid from:		
Net investment income	(22,021)	(1,444)
Realized gains on sale of investments	(19,658)	(39,551)
Return of capital	-	-
	(41,679)	(40,995)
<b>Balance, end of year</b>	<b>\$ 318,134</b>	<b>\$ 352,594</b>

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

# PENDER US ALL CAP EQUITY FUND

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

Years ended December 31, 2018 and 2017

<b>Class I</b>	2018	2017
Balance, beginning of year	\$ 283,185	\$ 229,558
Increase (decrease) in net assets attributable to holders of redeemable units	(26,014)	28,434
Unit transactions:		
Proceeds from issue of redeemable units	110,353	135,854
Issued on reinvestment of distributions	33,402	33,855
Amounts paid on redemption of redeemable units	(136,752)	(110,662)
	7,003	59,047
Distributions paid from:		
Net investment income	(19,165)	(718)
Realized gains on sale of investments	(14,244)	(33,136)
Return of capital	-	-
	(33,409)	(33,854)
Balance, end of year	\$ 230,765	\$ 283,185
<b>Class O</b>	2018	2017
Balance, beginning of year	\$ 4,700,890	\$ 4,209,476
Increase (decrease) in net assets attributable to holders of redeemable units	(174,572)	732,289
Unit transactions:		
Proceeds from issue of redeemable units	-	-
Issued on reinvestment of distributions	678,066	564,178
Amounts paid on redemption of redeemable units	(242,032)	(240,875)
	436,034	323,303
Distributions paid from:		
Net investment income	(414,022)	(30,700)
Realized gains on sale of investments	(264,045)	(533,478)
Return of capital	-	-
	(678,067)	(564,178)
Balance, end of year	\$ 4,284,285	\$ 4,700,890

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

# PENDER US ALL CAP EQUITY FUND

## Statements of Cash Flows

Years ended December 31, 2018 and 2017

	2018	2017
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holder of redeemable units	\$ (905,893)	\$ 2,920,482
Adjustments for:		
Dividend income	(97,728)	(138,101)
Interest for distribution purposes	(1,226)	(1,911)
Foreign exchange (gain) loss	(29,253)	37,259
Net realized (gain) loss on sale of investments	(2,685,279)	(3,223,338)
Net change in unrealized (appreciation) depreciation of investments	3,424,761	107,871
Other receivable	(96)	(251)
Management and administration fees payable	(3,076)	(33,116)
Accrued expenses	189	-
Proceeds on disposal of investments	11,675,749	10,012,451
Amounts paid on purchase of investments	(9,717,368)	(7,485,560)
Dividends received	106,186	140,246
Interest received	1,218	1,911
	1,768,184	2,337,943
Financing:		
Proceeds from issue of redeemable units	820,278	704,502
Amounts paid on redemptions of redeemable units	(2,766,609)	(2,824,196)
Distributions paid to unitholders	(36,178)	(21,943)
	(1,982,509)	(2,141,637)
Net increase (decrease) in cash	(214,325)	196,306
Cash, beginning of year	224,111	65,064
Effect of exchange rate fluctuations on cash	29,253	(37,259)
Cash, end of year	\$ 39,039	\$ 224,111

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

# PENDER US ALL CAP EQUITY FUND

Schedule of Investment Portfolio

December 31, 2018

	Number of shares	Cost	Fair value
<b>Equities:</b>			
Communication services (41.4%):			
Baidu, Inc., ADR	6,800	\$ 1,658,679	\$ 1,472,341
GCI Liberty, Inc.	7,300	407,167	410,199
Liberty Broadband Corporation	9,400	952,153	924,352
Liberty Latin America Ltd.	74,148	2,180,929	1,465,765
TripAdvisor, Inc.	26,200	1,186,450	1,929,339
Zillow Group, Inc.	17,000	665,591	732,921
		7,050,969	6,934,917
Consumer discretionary (14.5%):			
Despegar.com, Corp.	18,100	425,009	306,653
JD.com, Inc., ADR	51,900	2,040,434	1,482,972
Wynn Resorts, Limited	2,500	338,743	337,580
Yatra Online, Inc.	54,112	358,589	296,972
		3,162,775	2,424,177
Diversified financials (7.6%):			
Brookfield Asset Management Inc.	10,694	283,738	559,510
FRMO Corporation	53,048	299,793	369,348
KKR & Co. Inc.	12,800	366,861	343,026
		950,392	1,271,884
Industrials (17.3%):			
Colfax Corporation	33,617	1,684,152	959,183
Navios Maritime Holdings Inc.	447,300	1,211,953	167,319
The Middleby Corporation	12,600	1,770,989	1,767,112
		4,667,094	2,893,614
Information technology (2.0%):			
Microchip Technology Incorporated	3,485	327,520	342,175
		327,520	342,175
Materials (11.1%):			
Platform Specialty Products Corporation	131,500	2,499,435	1,854,481
		2,499,435	1,854,481
Real estate (6.0%):			
The Howard Hughes Corporation	7,500	1,110,671	999,531
		1,110,671	999,531
Less: Transaction costs included in cost of investments		(10,245)	
<b>Total investments (99.9%)</b>		<b>\$ 19,758,611</b>	<b>\$ 16,720,779</b>
Cash (0.2%)			\$ 39,039
Other assets less liabilities (-0.1%)			(21,173)
<b>Total net assets attributable to holders of redeemable units (100.0%)</b>			<b>\$ 16,738,645</b>

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

# PENDER VALUE FUND

Statements of Financial Position

December 31, 2018 and 2017

	Notes	2018	2017
<b>Assets</b>			
Cash		\$ 11,632,482	\$ 73,427,452
Subscriptions receivable		364,033	407,619
Dividends receivable		128,310	84,153
Interest receivable		-	102,481
Other receivable		5,509	5,626
Investments		312,660,457	183,023,444
		324,790,791	257,050,775
<b>Liabilities</b>			
Management and administration fees payable	4	420,655	310,124
Redemptions payable to holders of redeemable units		458,793	268,687
Distributions payable to holders of redeemable units		11,476	13,022
Payable for investments purchased		4,836,420	-
Accrued expenses		1,019	-
		5,728,363	591,833
<b>Net assets, attributable to holders of redeemable units</b>		<b>\$ 319,062,428</b>	<b>\$ 256,458,942</b>
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 62,337,654	\$ 57,012,606
Class D		3,604,943	3,167,875
Class F		161,575,683	122,313,181
Class H		12,341,767	12,187,255
Class I		66,759,913	48,805,007
Class O		12,442,468	12,973,018
		\$ 319,062,428	\$ 256,458,942
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 16.36	\$ 18.49
Class D		9.73	11.02
Class F		16.35	18.52
Class H		11.80	13.39
Class I		11.98	13.59
Class O		13.57	15.38

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

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

*"Kelly Edmison"*

Director

*"David Barr"*

Director

# PENDER VALUE FUND

Statements of Comprehensive Income

Years ended December 31, 2018 and 2017

	Notes	2018	2017
<b>Revenue:</b>			
Dividend income		\$ 2,165,585	\$ 1,121,593
Interest for distribution purposes		556,666	439,033
Foreign exchange gain (loss)		1,026,086	199,040
Securities lending income	5	111,938	13,662
Changes in fair value of investments:			
Net realized gain (loss)		12,278,046	17,444,767
Net change in unrealized appreciation (depreciation)		(53,145,200)	(4,414,585)
<b>Total revenue</b>		<b>(37,006,879)</b>	<b>14,803,510</b>
<b>Expenses:</b>			
Management fees	4	3,508,588	2,481,492
Administration fees	4	1,582,063	867,272
Transaction costs		513,662	135,555
Withholding taxes (recovery)	6	74,205	87,286
Independent review committee fees		5,821	9,539
Other taxes (recovery)		3,234	49,569
Interest expense		-	274
<b>Total expenses</b>		<b>5,687,573</b>	<b>3,630,987</b>
<b>Less expenses absorbed by the Manager</b>		<b>(5,821)</b>	<b>(9,539)</b>
<b>Net expenses</b>		<b>5,681,752</b>	<b>3,621,448</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>			
		<b>\$ (42,688,631)</b>	<b>\$ 11,182,062</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class:</b>			
Class A		\$ (7,815,530)	\$ 2,588,023
Class D		(450,201)	51,145
Class F		(22,715,971)	4,968,101
Class H		(1,673,047)	569,458
Class I		(9,021,276)	2,040,837
Class O		(1,012,606)	964,498
		<b>\$ (42,688,631)</b>	<b>\$ 11,182,062</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>			
Class A		\$ (2.27)	\$ 0.98
Class D		(1.38)	0.23
Class F		(2.72)	0.96
Class H		(1.71)	0.76
Class I		(1.94)	0.70
Class O		(1.17)	1.33

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

# PENDER VALUE FUND

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

Years ended December 31, 2018 and 2017

<b>Class A</b>	2018	2017
Balance, beginning of year	\$ 57,012,606	\$ 37,723,509
Increase (decrease) in net assets attributable to holders of redeemable units	(7,815,530)	2,588,023
Unit transactions:		
Proceeds from issue of redeemable units	29,678,012	30,330,621
Issued on reinvestment of distributions	1,305,669	1,595,712
Amounts paid on redemption of redeemable units	(16,437,725)	(13,509,752)
	14,545,956	18,416,581
Distributions paid from:		
Net investment income	(1,244,910)	(4,236)
Realized gains on sale of investments	(160,468)	(1,711,271)
Return of capital	-	-
	(1,405,378)	(1,715,507)
<b>Balance, end of year</b>	<b>\$ 62,337,654</b>	<b>\$ 57,012,606</b>
<b>Class D</b>	2018	2017
Balance, beginning of year	\$ 3,167,875	\$ 546,349
Increase (decrease) in net assets attributable to holders of redeemable units	(450,201)	51,145
Unit transactions:		
Proceeds from issue of redeemable units	1,584,590	3,397,272
Issued on reinvestment of distributions	111,380	113,386
Amounts paid on redemption of redeemable units	(693,094)	(825,233)
	1,002,876	2,685,425
Distributions paid from:		
Net investment income	(106,179)	(1,788)
Realized gains on sale of investments	(9,428)	(113,256)
Return of capital	-	-
	(115,607)	(115,044)
<b>Balance, end of year</b>	<b>\$ 3,604,943</b>	<b>\$ 3,167,875</b>
<b>Class F</b>	2018	2017
Balance, beginning of year	\$ 122,313,181	\$ 58,224,157
Increase (decrease) in net assets attributable to holders of redeemable units	(22,715,971)	4,968,101
Unit transactions:		
Proceeds from issue of redeemable units	108,279,560	88,184,903
Issued on reinvestment of distributions	4,246,441	3,916,518
Amounts paid on redemption of redeemable units	(44,829,703)	(27,854,668)
	67,696,298	64,246,753
Distributions paid from:		
Net investment income	(5,291,870)	(13,250)
Realized gains on sale of investments	(425,955)	(5,112,580)
Return of capital	-	-
	(5,717,825)	(5,125,830)
<b>Balance, end of year</b>	<b>\$ 161,575,683</b>	<b>\$ 122,313,181</b>

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

# PENDER VALUE FUND

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

Years ended December 31, 2018 and 2017

<b>Class H</b>	2018	2017
Balance, beginning of year	\$ 12,187,255	\$ 8,894,682
Increase (decrease) in net assets attributable to holders of redeemable units	(1,673,047)	569,458
Unit transactions:		
Proceeds from issue of redeemable units	4,755,569	6,011,017
Issued on reinvestment of distributions	338,330	431,554
Amounts paid on redemption of redeemable units	(2,903,815)	(3,268,410)
	2,190,084	3,174,161
Distributions paid from:		
Net investment income	(327,668)	(945)
Realized gains on sale of investments	(34,857)	(450,101)
Return of capital	-	-
	(362,525)	(451,046)
<b>Balance, end of year</b>	<b>\$ 12,341,767</b>	<b>\$ 12,187,255</b>
<b>Class I</b>	2018	2017
Balance, beginning of year	\$ 48,805,007	\$ 21,731,944
Increase (decrease) in net assets attributable to holders of redeemable units	(9,021,276)	2,040,837
Unit transactions:		
Proceeds from issue of redeemable units	41,487,927	33,189,186
Issued on reinvestment of distributions	2,025,586	1,627,129
Amounts paid on redemption of redeemable units	(14,093,247)	(7,752,012)
	29,420,266	27,064,303
Distributions paid from:		
Net investment income	(2,269,249)	(5,197)
Realized gains on sale of investments	(174,835)	(2,026,880)
Return of capital	-	-
	(2,444,084)	(2,032,077)
<b>Balance, end of year</b>	<b>\$ 66,759,913</b>	<b>\$ 48,805,007</b>
<b>Class O</b>	2018	2017
Balance, beginning of year	\$ 12,973,018	\$ 10,022,076
Increase (decrease) in net assets attributable to holders of redeemable units	(1,012,606)	964,498
Unit transactions:		
Proceeds from issue of redeemable units	890,983	2,354,691
Issued on reinvestment of distributions	456,590	588,096
Amounts paid on redemption of redeemable units	(264,332)	(157,892)
	1,083,241	2,784,895
Distributions paid from:		
Net investment income	(569,058)	-
Realized gains on sale of investments	(32,127)	(798,451)
Return of capital	-	-
	(601,185)	(798,451)
<b>Balance, end of year</b>	<b>\$ 12,442,468</b>	<b>\$ 12,973,018</b>

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



# PENDER VALUE FUND

## Statements of Cash Flows

Years ended December 31, 2018 and 2017

	2018	2017
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (42,688,631)	\$ 11,182,062
Adjustments for:		
Dividend income	(2,165,585)	(1,121,593)
Interest for distribution purposes	(556,666)	(439,033)
Foreign exchange (gain) loss	(1,026,086)	(199,040)
Net realized (gain) loss on sale of investments	(12,278,046)	(17,444,767)
Net change in unrealized (appreciation) depreciation of investments	53,145,200	4,414,585
Management and administration fees payable	110,531	93,783
Accrued expenses	1,019	-
Other receivable	117	(5,626)
Proceeds on disposal of investments	220,888,558	79,694,747
Amounts paid on purchase of investments	(386,556,305)	(126,436,301)
Dividends received	2,121,428	1,065,133
Interest received	659,147	371,345
	(168,345,319)	(48,824,705)
Financing:		
Proceeds from issue of redeemable units	164,378,865	143,731,168
Amounts paid on redemptions of redeemable units	(56,690,448)	(32,876,309)
Distributions paid to unitholders	(2,164,154)	(1,952,538)
	105,524,263	108,902,321
Net increase (decrease) in cash	(62,821,056)	60,077,616
Cash, beginning of year	73,427,452	13,150,796
Effect of exchange rate fluctuations on cash	1,026,086	199,040
Cash, end of year	\$ 11,632,482	\$ 73,427,452

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

# PENDER VALUE FUND

Schedule of Investment Portfolio

December 31, 2018

	Number of shares	Cost	Fair value
<b>Equities:</b>			
Communication services (14.1%):			
Baidu, Inc., ADR	43,034	\$ 12,120,592	\$ 9,317,753
Liberty Broadband Corporation	94,000	8,373,385	9,243,523
Naspers Limited	299,100	17,127,021	16,192,379
TripAdvisor, Inc.	140,507	6,631,746	10,346,779
		44,252,744	45,100,434
Consumer discretionary (13.6%):			
Diversified Royalty Corp.	2,047,500	5,746,807	5,794,425
Freshii Inc., Class 'A'	1,294,909	8,450,104	3,314,967
Hanesbrands Inc.	336,300	7,522,153	5,752,733
JD.com, Inc., ADR	225,000	4,836,420	4,836,420
Leaf Group Ltd.	425,000	4,015,772	3,974,439
Transat A.T. Inc.	839,900	7,368,775	4,997,405
Uni-Select Inc.	425,900	10,207,749	8,266,719
Wynn Resorts, Limited	46,900	6,847,279	6,332,998
		54,995,059	43,270,106
Consumer staples (5.0%):			
Alimentation Couche-Tard Inc., Class 'B'	147,500	9,705,328	10,016,725
Saputo Inc.	153,100	5,897,617	5,999,989
		15,602,945	16,016,714
Diversified financials (8.3%):			
Currency Exchange International, Corp.	157,400	3,848,019	4,210,450
Exor N.V.	135,600	12,078,621	10,023,965
KKR & Co. Inc.	461,940	14,686,849	12,379,473
		30,613,489	26,613,888
Energy (2.1%):			
Athabasca Oil Corporation	6,618,200	7,389,113	6,552,018
		7,389,113	6,552,018
Health care (4.1%):			
Knight Therapeutics Inc.	1,072,000	8,406,418	8,243,680
Medicure Inc.	774,800	4,972,229	4,765,020
		13,378,647	13,008,700
Industrials (7.2%):			
Maxar Technologies Ltd.	535,440	12,791,207	8,733,026
Navios Maritime Holdings Inc.	4,442,413	7,325,527	1,661,750
The Middleby Corporation	90,200	13,752,555	12,650,279
		33,869,289	23,045,055
Information technology (24.2%):			
Absolute Software Corporation	1,391,800	9,514,244	10,772,532
Asure Software, Inc.	354,141	6,368,475	2,456,044
BSM Technologies Inc.	4,646,180	4,716,374	3,716,944
Critical Control Energy Services Corp.	525,000	73,600	36,750
Enghouse Systems Limited	143,100	9,507,062	9,503,271
Espial Group Inc.	2,257,829	4,824,977	2,573,925
LivePerson, Inc.	139,563	3,420,588	3,593,422
Microchip Technology Incorporated	67,149	6,277,546	6,593,037
Model N, Inc.	377,375	6,798,876	6,815,995
ProntoForms Corporation	10,945,400	3,921,347	3,557,255
Redline Communications Group Inc.	1,200,785	2,857,420	1,681,099
Sangoma Technologies Corporation	2,575,200	2,633,648	3,012,984
SeaChange International, Inc.	1,709,532	6,335,564	2,940,655
Sierra Wireless, Inc.	237,920	5,431,790	4,361,074
SS&C Technologies Holdings, Inc.	166,400	10,714,230	10,247,606
Upland Software, Inc.	141,048	4,417,575	5,233,746
		87,813,316	77,096,339

# PENDER VALUE FUND

Schedule of Investment Portfolio (continued)

December 31, 2018

	Exercise price	Expiry date	Issue currency	Number of shares / units	Cost	Fair value
<b>Equities (continued):</b>						
Materials (11.2%):						
CCL Industries Inc., Class 'B'				199,100	12,390,017	9,966,946
Platform Specialty Products Corporation				911,800	13,764,011	12,858,674
POSCO, ADR				53,600	3,850,222	4,020,219
Winpak Ltd.				187,250	8,788,927	8,941,188
					38,793,177	35,787,027
Real estate (8.1%):						
Brookfield Property Partners L.P				351,000	8,812,269	7,729,020
Kennedy-Wilson Holdings, Inc.				336,656	9,291,571	8,350,982
The Howard Hughes Corporation				72,382	11,010,403	9,646,409
					29,114,243	25,726,411
Utilities (0.1%):						
Maxim Power Corp.				204,500	577,241	443,765
					577,241	443,765
<b>Total equities (98.0%)</b>					<b>\$ 356,399,263</b>	<b>\$ 312,660,457</b>
<b>Warrants:</b>						
Warrants (0.0%):						
Energy Fuels Inc.	\$ 3.20	2019/03/14	USD	15,950	\$ -	\$ -
ProntoForms Corporation	0.48	2019/06/21	CAD	3,284,000	-	-
<b>Total warrants (0.0%)</b>					<b>-</b>	<b>-</b>
Less: Transaction costs included in cost of investments					(335,555)	
<b>Total investments (98.0%)</b>					<b>\$ 356,063,708</b>	<b>\$ 312,660,457</b>
Cash (3.6%)						\$ 11,632,482
Other assets less liabilities (-1.6%)						(5,230,511)
<b>Total net assets attributable to holders of redeemable units (100.0%)</b>						<b>\$ 319,062,428</b>

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

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 1. The Funds:

The Pender Mutual Funds (individually a “Fund” and collectively the “Funds”) include the following:

	Fund Inception Date	Classes
Canadian Opportunities Fund	November 24, 2010	A, D, F, H, I, O
Corporate Bond Fund	June 1, 2009	A, A(USD), D, F, F(USD), H, I, O
North American Small Cap Fund	June 25, 2018	A, D, F, H, I, O
Small Cap Opportunities Fund	June 1, 2009	A, B, F, G, I, N, O
Strategic Growth and Income Fund	November 24, 2010	A, D, F, H, I, O
US All Cap Equity Fund	June 28, 2013	A, A(USD), D, F, F(USD), H, I, O
Value Fund	June 28, 2013	A, D, F, H, I, O

Each of the Funds is an open-end investment trust governed under the laws of the Province of British Columbia pursuant to the Tenth Amended and Restated Mutual Fund Trust Agreement dated May 22, 2018 (previously the Ninth Amended and Restated Mutual Fund Trust Agreement dated April 27, 2017).

The Pender Small Cap Opportunities Fund acquired all of the assets of the Pender Small Cap Equity Fund on April 28, 2017 and acquired all of the assets of Pender Select Ideas Fund on December 15, 2018 (see Note 4).

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

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

## 2. Basis of preparation:

### (a) Statement of compliance:

The annual financial statements of the Funds are prepared under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These financial statements were authorized for issue by the Manager on March 28, 2019.

### (b) Basis of measurement:

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

### (c) Functional and presentation currency:

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

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

---

## 2. Basis of preparation (continued):

### (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 period in which the estimates are revised and in any future period affected.

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

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

### (e) Comparative information:

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

## 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods 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: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the particular Fund becomes a party to the contractual provisions of the instrument. The Funds derecognize 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 Funds have a legal right to offset the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

---

### 3. Significant accounting policies (continued):

#### (a) Financial instruments (continued):

##### (i) Recognition and measurement (continued):

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is both to hold assets to collect contractual cash flows and to potentially sell financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Funds may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets are not reclassified subsequent to their initial recognition, unless the Funds changes their business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Funds have not classified any of their financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Funds may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

##### (ii) Fair value through profit and loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the Statements of Comprehensive Income in the period in which they occur. The Funds' derivative assets and derivative liabilities, investments in securities, and investments sold short are classified as FVTPL.

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

---

### 3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(ii) Fair value through profit and loss (continued):

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) is based on quoted market prices at the close of trading on the reporting date. The Funds use the last traded market price for both financial assets and financial liabilities. In circumstances where there is no closing price, the average of the closing bid and the closing ask price on the valuation date is used. The Funds' policy is to recognize transfers into and out of the fair value hierarchy levels described in Note 10(a) 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 non- publicly traded 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 other methods commonly used by market participants and which make the maximum use of observable inputs. Where the value of a financial asset or liability is not readily available or where the Manager is of the opinion that the value available is inaccurate or unreliable, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Funds classify cash and cash equivalents, dividends receivable, interest receivable, subscriptions receivable, balances due from brokers, daily variation margins, other receivables, bank indebtedness, management and administration fees payable, performance fees payable, redemptions payable to holders of redeemable units, distributions payable to holders of redeemable units, and other accrued liabilities as amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

---

### 3. Significant accounting policies (continued):

(b) Redeemable units:

The Funds classify financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Funds have designated redeemable units as financial liabilities at FVTPL because they are managed, and their performance is evaluated on a fair value basis. The redeemable units provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Funds' valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

(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 period. The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the period.

(d) Securities lending transactions:

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

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

Note 5 summarizes the details of securities loaned and collateral received, and presents a reconciliation of the gross amount generated from securities lending to the securities lending income earned by the Funds.

(e) Foreign exchange:

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



# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

### 3. Significant accounting policies (continued):

(f) Income recognition:

Interest for distribution purposes 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.

(g) Income taxes:

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

(h) New standards and interpretations not yet adopted:

The Funds have determined there are no IFRS standards that are issued but not yet effective that could materially impact the Funds' financial statements.

### 4. Related party transactions:

(a) Management fees:

Each Fund pays a management fee to the Manager for the management of the Funds. The management fee is calculated as an annualized percentage of the net asset value ("NAV") of each class. The annual management fee percentages of each class as at December 31, 2018 and 2017 are as follows:

2018	Class A / Class A (USD)	Class B	Class D	Class F / Class F (USD)	Class G	Class H	Class I	Class N
Canadian								
Opportunities Fund	1.85%	-	1.10%	0.85%	-	1.55%	0.70%	-
Corporate Bond Fund	1.45%	-	0.90%	0.65%	-	1.15%	0.50%	-
North American								
Small Cap Fund	1.90%	-	1.15%	0.90%	-	1.60%	0.75%	-
Small Cap Opportunities Fund	2.00%	2.00%	-	1.00%	1.00%	-	0.85%	0.50%
Strategic Growth and Income Fund	1.75%	-	1.00%	0.75%	-	1.45%	0.60%	-
US All Cap Equity Fund	1.85%	-	1.10%	0.85%	-	1.55%	0.70%	-
Value Fund	1.90%	-	1.15%	0.90%	-	1.60%	0.75%	-

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 4. Related party transactions (continued):

### (a) Management fees (continued):

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

### (b) Administration fees and other expenses:

Each Fund also pays the Manager an administration fee equal to 0.50% of NAV. In exchange for the fee, the Manager pays for the operating costs of each Fund (including GST/HST, registrar and transfer agency fees, custody fees, unitholder servicing costs, costs of prospectus and reports, regulatory fees, audit and legal fees, and other administrative and operating expenses) other than Independent Review Committee fees and portfolio-related expenses such as interest, withholding taxes, and transaction costs. The management and administration fees for Class O units are negotiable and paid directly by the investors and not by the Funds.

The Manager, at its discretion, may reduce or waive management or administration fees and reimburse the Funds for any expenses. The Manager has agreed to cap the management fees, administration fees and other expenses charged to each Fund class so that the management expense ratio ("MER") as at December 31, 2018 and 2017, being expressed as a percentage of average NAV, does not exceed the following rates:

2018	Class A / Class A (USD)	Class B	Class D	Class F / Class F (USD)	Class G	Class H	Class I	Class N
Canadian								
Opportunities Fund	2.35%	-	1.60%	1.35%	-	2.05%	1.20%	-
Corporate Bond Fund	1.95%	-	1.40%	1.15%	-	1.65%	1.00%	-
North American								
Small Cap Fund	2.40%	-	1.65%	1.40%	-	2.10%	1.25%	-
Small Cap Opportunities Fund	2.50%	2.50%	-	1.50%	1.50%	-	1.35%	1.00%
Strategic Growth and Income Fund	2.25%	-	1.50%	1.25%	-	1.95%	1.10%	-
US All Cap Equity Fund	2.35%	-	1.60%	1.35%	-	2.05%	1.20%	-
Value Fund	2.40%	-	1.65%	1.40%	-	2.10%	1.25%	-

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 4. Related party transactions (continued):

(b) Administration fees and other expenses (continued):

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

(c) Performance fees:

The Manager is also entitled to a performance fee in respect of Class B and Class G units of the Pender Small Cap Opportunities Fund, in certain circumstances. The performance fee is equal to 20% of the amount by which the total return of the class of units exceeds the total percentage increase or decrease in the Fund's benchmark for the period since the performance fee was last paid, subject to a relative high water mark. The high water mark for a class of units is the highest year-end net asset value on which a performance fee has previously been paid for that class. The performance fee will be calculated monthly and paid annually. There was no performance fee payable to the Manager as at December 31, 2018 or 2017.

(d) Amounts payable to the Manager:

As at December 31, 2018 and 2017, the Funds had the following amounts payable to the Manager relating to management fees, administration fees and other expenses incurred by the Manager on behalf of the Funds:

	2018	2017
Canadian Opportunities Fund	\$ 4,904	\$ 7,470
Corporate Bond Fund	558,448	192,984
North American Small Cap Fund	29	-
Small Cap Opportunities Fund	170,749	207,438
Strategic Growth and Income Fund	20,136	28,955
US All Cap Equity Fund	15,357	18,433
Value Fund	420,655	310,124

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.

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 4. Related party transactions (continued):

### (e) Related party holdings:

As at December 31, 2018 and 2017, parties related to the Manager directly or indirectly held the following percentages of each Fund's outstanding units. Subscriptions and redemptions of related parties are subject to the same terms and conditions as those of arm's length investors in the Funds.

	2018	2017
Canadian Opportunities Fund	7%	8%
Corporate Bond Fund	1%	1%
North American Small Cap Fund	100%	-
Small Cap Opportunities Fund	1%	1%
Strategic Growth and Income Fund	3%	2%
US All Cap Equity Fund	9%	10%
Value Fund	0%	1%

### (f) Fund merger:

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

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

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

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 4. Related party transactions (continued):

### (f) Fund merger (continued):

On December 15, 2018, the Pender Select Ideas Fund was merged into the Pender Small Cap Opportunities Fund. The two funds were both managed by the Manager, had the same investment objectives, and had substantially similar investment strategies. The merger resulted in an increase of \$6,611,671 in net assets attributable to unitholders of the continuing fund, Pender Small Cap Opportunities Fund:

Cash	\$	521,804
Investments		6,066,731
Other net liabilities		23,136
	\$	6,611,671

	Units issued	Amount
Class B	85,100	\$ 736,274
Class G	506,455	4,406,815
Class O	64,573	1,468,582
	656,128	\$ 6,611,671

## 5. Securities lending transactions:

Pender Corporate Bond Fund and Pender North American Small Cap Fund had no securities loaned or collateral received as at December 31, 2018. The value of securities loaned and collateral received from securities lending as at December 31, 2018 and 2017 for the remaining Funds was as follows:

	Securities loaned	Collateral received
<b>2018</b>		
Canadian Opportunities Fund	\$ 725,041	\$ 763,224
Small Cap Opportunities Fund	8,136,417	8,557,283
Strategic Growth and Income Fund	1,688,625	1,779,011
US All Cap Equity Fund	3,413,797	3,585,465
Value Fund	25,927,623	27,290,453
<b>2017</b>		
Canadian Opportunities Fund	\$ 857,442	\$ 900,722
Corporate Bond Fund	1,911,622	2,007,976
Small Cap Opportunities Fund	13,365,793	14,041,676
Strategic Growth and Income Fund	1,200,602	1,262,658
US All Cap Equity Fund	2,863,927	3,009,676
Value Fund	28,071,948	29,913,500

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 5. Securities lending transactions:

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

No securities lending income was earned by Pender North American Small Cap Fund for the period ended December 31, 2018. A reconciliation of the gross amount generated from securities lending transactions to the securities lending income earned by the remaining Funds for the period ended December 31, 2018 and 2017 is included in the following table.

2018	Gross income	Withholding taxes	Agent fees	Securities lending income
Canadian Opportunities Fund	\$ 51,392	\$ -	\$ (20,553)	\$ 30,839
Corporate Bond Fund	91,749	(20,567)	(28,467)	42,715
Small Cap Opportunities Fund	453,900	(336)	(181,412)	272,152
Strategic Growth and Income Fund	46,926	-	(18,769)	28,157
US All Cap Equity Fund	8,655	-	(3,461)	5,194
Value Fund	190,047	(3,498)	(74,611)	111,938

2017	Gross income	Withholding taxes	Agent fees	Securities lending income
Canadian Opportunities Fund	\$ 8,303	\$ -	\$ (3,321)	\$ 4,982
Corporate Bond Fund	2,216	(32)	(873)	1,311
Small Cap Opportunities Fund	59,530	(262)	(23,705)	35,563
Strategic Growth and Income Fund	11,998	-	(4,799)	7,199
US All Cap Equity Fund	1,441	-	(576)	865
Value Fund	23,316	(547)	(9,107)	13,662

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

## 6. Withholding tax expense:

Certain dividend and interest income received by the Funds is subject to withholding tax imposed in the country of origin. During the period, withholding tax rates were between 0% and 35% (2017 - between 0% and 35%).

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 7. Redeemable units:

The Funds are authorized to issue an unlimited number of redeemable units in an unlimited number of classes. The redeemable unit transactions for the Funds during the years ended December 31, 2018 and 2017 were as follows:

2018	Outstanding units, beginning of period	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of period
<b>Canadian Opportunities Fund:</b>					
Class A	111,541	6,993	9,099	(31,409)	96,224
Class D	7,325	2,862	684	(2,772)	8,099
Class F	531,065	202,065	48,555	(240,718)	540,967
Class H	527	-	56	-	583
Class I	19,927	5,595	1,590	(10,103)	17,009
Class O	25,406	-	1,573	(9,450)	17,529
<b>Corporate Bond Fund:</b>					
Class A	3,206,403	4,348,702	91,245	(1,365,459)	6,280,891
Class A (USD)	101,249	383,426	5,063	(44,983)	444,755
Class D	16,702	235,379	3,215	(101,544)	153,752
Class F	5,733,494	18,175,758	263,578	(4,033,737)	20,139,093
Class F (USD)	1,006,425	1,275,436	20,688	(530,539)	1,772,010
Class H	1,823,363	2,343,928	61,642	(655,282)	3,573,651
Class I	4,127,027	11,173,430	184,537	(2,118,970)	13,366,024
Class O	1,191,011	-	45,526	(448,609)	787,928
<b>North American Small Cap Fund</b>					
Class A	-	500	-	-	500
Class D	-	500	-	-	500
Class F	-	500	-	-	500
Class H	-	500	-	-	500
Class I	-	500	-	-	500
Class O	-	12,500	-	-	12,500
<b>Small Cap Opportunities Fund:</b>					
Class A	1,615,045	353	159	(259,945)	1,355,612
Class B	-	85,600	-	-	85,600
Class F	3,665,716	72,041	4,791	(472,472)	3,270,076
Class G	-	506,955	-	(234,923)	272,032
Class I	427,391	588,368	586	(9,969)	1,006,376
Class N	3,174,979	931,753	25	(816,037)	3,290,720
Class O	265,855	64,573	-	(42,049)	288,379
<b>Strategic Growth and Income Fund:</b>					
Class A	762,169	139,988	38,771	(174,447)	766,481
Class D	1,776	2,591	227	(823)	3,771
Class F	876,675	157,309	19,860	(665,108)	388,736
Class H	524	22,753	1,749	-	25,026
Class I	526	152,909	6,950	(1,699)	158,686
Class O	546	-	45	-	591
<b>US All Cap Equity Fund:</b>					
Class A	651,735	14,814	89,263	(94,948)	660,864
Class A (USD)	53,195	4,452	5,882	(5,385)	58,144
Class D	1,911	10,333	660	(8,532)	4,372
Class F	383,551	30,123	61,790	(51,950)	423,514
Class F (USD)	52,147	4,544	3,900	(31,181)	29,410
Class H	35,431	32,806	5,391	(34,292)	39,336
Class I	28,360	9,746	4,284	(13,730)	28,660
Class O	452,379	-	84,065	(22,696)	513,748

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 7. Redeemable units (continued):

2018 (continued):	Outstanding units, beginning of period	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of period
Value Fund:					
Class A	3,084,249	1,480,242	82,507	(836,571)	3,810,427
Class D	287,545	132,667	11,813	(61,708)	370,317
Class F	6,603,036	5,330,806	268,593	(2,318,547)	9,883,888
Class H	910,031	326,051	29,645	(220,124)	1,045,603
Class I	3,592,102	2,807,257	174,818	(1,002,605)	5,571,572
Class O	843,553	55,089	34,819	(16,555)	916,906
2017					
2017	Outstanding units, beginning of year	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of year
Canadian Opportunities Fund:					
Class A	112,086	33,623	3,758	(37,926)	111,541
Class D	3,490	8,681	130	(4,976)	7,325
Class F	269,143	368,646	21,481	(128,205)	531,065
Class H	500	-	27	-	527
Class I	500	36,807	397	(17,777)	19,927
Class O	49,509	-	13	(24,116)	25,406
Corporate Bond Fund:					
Class A	3,362,129	957,523	66,834	(1,180,083)	3,206,403
Class A (USD)	112,029	38,871	1,942	(51,593)	101,249
Class D	4,562	15,327	421	(3,608)	16,702
Class F	3,044,053	4,096,902	96,984	(1,504,445)	5,733,494
Class F (USD)	78,583	953,638	15,002	(40,798)	1,006,425
Class H	1,198,204	731,278	35,561	(141,680)	1,823,363
Class I	1,639,624	2,839,681	58,751	(411,029)	4,127,027
Class O	783,439	465,145	49,800	(107,373)	1,191,011
Small Cap Opportunities Fund:					
Class A	1,824,936	434	68,002	(278,327)	1,615,045
Class F	3,237,397	433,089	190,987	(195,757)	3,665,716
Class I	-	446,855	25,027	(44,491)	427,391
Class N	-	3,729,204	183,950	(738,175)	3,174,979
Class O	220,062	35,127	18,204	(7,538)	265,855
Strategic Growth and Income Fund:					
Class A	671,653	219,517	23,522	(152,523)	762,169
Class D	1,193	8,144	21	(7,582)	1,776
Class F	249,399	801,088	16,628	(190,440)	876,675
Class H	-	500	24	-	524
Class I	-	500	26	-	526
Class O	515	-	31	-	546



# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 7. Redeemable units (continued):

2017 (continued)	Outstanding units, beginning of year	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of year
US All Cap Equity Fund:					
Class A	720,635	26,401	45,617	(140,918)	651,735
Class A (USD)	58,619	2,886	2,767	(11,077)	53,195
Class D	1,735	1,631	176	(1,631)	1,911
Class F	376,605	18,943	36,537	(48,534)	383,551
Class F (USD)	48,204	8,203	5,174	(9,434)	52,147
Class H	21,747	9,725	3,959	-	35,431
Class I	23,647	12,157	3,324	(10,768)	28,360
Class O	419,774	-	53,248	(20,643)	452,379
Value Fund:					
Class A	2,119,812	1,589,562	84,965	(710,090)	3,084,249
Class D	51,572	298,272	10,134	(72,433)	287,545
Class F	3,256,192	4,591,622	208,150	(1,452,928)	6,603,036
Class H	686,980	433,400	31,721	(242,070)	910,031
Class I	1,659,398	2,366,714	117,907	(551,917)	3,592,102
Class O	670,026	145,552	37,659	(9,684)	843,553

## 8. Capital management:

The capital of each Fund is represented by its redeemable units issued. The Funds are not subject to any internally or externally imposed restrictions on their capital. The Funds' 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.

## 9. Financial risk management:

The Funds are exposed to various financial risks associated with their respective investment objectives and strategies, financial instruments and the markets in which they invest. These include credit risk, liquidity risk, and market risk, which consists of currency risk, interest rate risk and other price risk.

The Manager manages the potential impact of these financial risks on the Funds' performance by employing and overseeing professional and experienced portfolio advisors who regularly monitor the Funds' positions and market events and diversify investment portfolios within the constraints of the investment guidelines

Each Fund maintains positions in a variety of financial instruments in accordance with its investment objectives and strategies.

### Pender Canadian Opportunities Fund:

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

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

---

## 9. Financial risk management (continued):

### **Pender Corporate Bond Fund:**

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

### **Pender North American Small Cap Fund:**

The objective of the Pender North American Small Cap Fund is to invest in a concentrated portfolio comprised primarily of well managed businesses with strong competitive positions, which are overlooked by the market and have the potential for significant capital appreciation. These businesses will be primarily in North America with an emphasis on companies with a small market capitalization. The Fund may also invest in any securities regardless of market capitalization, sector or region, including foreign securities where opportunities warrant.

### **Pender Small Cap Opportunities Fund:**

The objective of the Pender Small Cap Opportunities Fund is to achieve significant capital appreciation by investing in a concentrated portfolio primarily comprised of well-managed businesses with strong competitive positions that are overlooked by the market. These businesses may be in Canada, the US or in other foreign jurisdictions, with a primary emphasis on companies with a small market capitalization. The Fund may also invest in other securities regardless of market capitalization, sector or region, including other foreign equities where opportunities warrant.

### **Pender Strategic Growth and Income Fund:**

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

### **Pender US All Cap Equity Fund:**

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

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 9. Financial risk management (continued):

### Pender Value Fund:

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

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

#### (a) Credit risk:

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

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

The Pender US All Cap Equity Fund and Pender Strategic Growth and Income Fund are not exposed to any significant credit risk. The following table summarizes the maximum exposure to credit risk for the remaining Funds as at December 31, 2018 and 2017, categorized by credit ratings.

	2018	2017
<b>Canadian Opportunities Fund:</b>		
Unrated	\$ 117,000	\$ 1,088
	\$ 117,000	\$ 1,088

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 9. Financial risk management (continued):

### (a) Credit risk (continued):

	2018	2017
<b>Corporate Bond Fund:</b>		
AAA	\$ 77,745,057	\$ -
AA	6,844,153	8,296,768
A	33,850,444	9,489,824
BBB	51,106,646	13,710,738
Below BBB	179,675,072	71,030,080
Unrated	128,217,083	55,675,417
	<b>\$ 477,438,455</b>	<b>\$ 158,202,827</b>
<b>North American Small Cap Fund</b>		
Unrated	\$ 6,000	\$ -
	<b>\$ 6,000</b>	<b>\$ -</b>
<b>Small Cap Opportunities Fund</b>		
Unrated	\$ 7,177,000	\$ 2,488,418
	<b>\$ 7,177,000</b>	<b>\$ 2,488,418</b>
<b>Value Fund</b>		
Below BBB	\$ -	\$ 2,136,631
Unrated	-	6,091,216
	<b>\$ -</b>	<b>\$ 8,227,847</b>

### (b) Liquidity risk:

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligations on time or at a reasonable price.

Each Fund is exposed to liquidity risk through unitholder redemptions of its units. The redeemable units of each Fund are issued and redeemed on demand at the option of the unitholder based on the then current NAV per class of unit.

Each Fund is also exposed to liquidity risk through its investments. This risk is managed by investing the majority of each Fund's assets in investments that are traded in an active market and that can be readily disposed. In accordance with securities regulations, each Fund must maintain at least 85% of its assets in liquid investments (i.e., investments that are traded in an active market). In the case where the Funds hold thinly traded investments, timely disposition of such investments and the realized price may be significantly different from their carrying values.

The Manager's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity at all times to meet its liabilities, including estimated redemptions of units, when due, without incurring unacceptable losses or risking damage to the Funds' reputation. Each Fund has the ability to borrow up to 5% of the value of its net assets on a temporary basis for the purpose of settling investment portfolio transactions or unitholder redemptions.

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 9. Financial risk management (continued):

### (b) Liquidity risk (continued):

The Funds' remaining non-derivative liabilities other than redeemable units are due within one month of the reporting date of the respective Fund. The following were the contractual maturities of derivative assets (liabilities) of the Pender Corporate Bond Fund as at December 31, 2018 and 2017 that were due within three months of the financial reporting date. The amounts are gross and undiscounted. The remaining Funds did not hold any derivatives as at December 31, 2018 and 2017.

	2018		2017	
	Nominal value	Unrealized gain (loss)	Nominal value	Unrealized gain (loss)
Derivative instruments:				
Inflows (Outflows)	\$ 265,269,300	\$ (10,266,145)	\$ 110,609,900	\$ 2,771,504

### (c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Funds' income or the fair value of their holdings of financial instruments.

#### (i) Interest rate risk:

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

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

The Pender US All Cap Equity Fund and Pender Strategic Growth and Income Fund are not exposed to any material interest rate risk. The following table summarizes the exposure to interest rate risk for the remaining Funds as at December 31, 2018 and 2017, categorized by the earlier of contractual re- pricing or maturity dates:

	2018		2017	
<b>Canadian Opportunities Fund:</b>				
1 to 3 years	\$	-	\$	1,088
3 to 5 years		117,000		-
	\$	117,000	\$	1,088

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 9. Financial risk management (continued):

(c) Market risk (continued):

(i) Interest rate risk (continued):

	2018	2017
<b>Corporate Bond Fund:</b>		
Less than 1 year	\$ 89,818,238	\$ 3,992,143
1 to 3 years	109,379,978	62,653,371
3 to 5 years	202,717,732	51,411,094
More than 5 years	75,522,507	40,146,219
	<b>\$ 477,438,455</b>	<b>\$ 158,202,827</b>
<b>North American Small Cap Fund:</b>		
3 to 5 years	\$ 6,000	\$ -
	<b>\$ 6,000</b>	<b>\$ -</b>
<b>Small Cap Opportunities Fund:</b>		
1 to 3 years	\$ 2,000,000	\$ 2,488,418
3 to 5 years	5,177,000	-
	<b>\$ 7,177,000</b>	<b>\$ 2,488,418</b>
<b>Value Fund:</b>		
Less than 1 year	\$ -	\$ 2,398,146
1 to 3 years	-	3,693,070
More than 5 years	-	2,136,631
	<b>\$ -</b>	<b>\$ 8,227,847</b>

As at December 31, 2018 and 2017, if the prevailing interest rates had been increased or decreased by 1%, assuming a parallel shift in the yield curve and all other factors remaining constant, the net assets of the Funds with exposure to interest rate risk would have decreased or increased by the following amounts:

	2018	2017
Canadian Opportunities Fund	\$ 5,827	\$ -
Corporate Bond Fund	14,972,940	5,468,071
North American Small Cap Fund	299	-
Small Cap Opportunities Fund	114,169	42,767
Value Fund	-	440,339

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.

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 9. Financial risk management (continued):

(c) Market risk (continued):

(ii) Currency risk:

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

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

The Pender Corporate Bond Fund enters into certain forward foreign currency contracts to mitigate its foreign currency exposure.

The net currency exposures for the Funds as at December 31, 2018 and 2017 were as follows:

2018	Canadian dollar	US dollar	Japanese yen	Euro	Total
Canadian					
Opportunities Fund	\$ 5,338,447	\$ 64,688	\$ -	\$ -	\$ 5,403,135
Corporate Bond Fund	465,912,290	77,583,868	-	-	543,496,158
North American Small Cap Fund	95,866	20,183	-	-	116,049
Small Cap Opportunities Fund	143,935,664	14,458,747	-	-	158,394,411
Strategic Growth and Income Fund	9,818,998	4,623,863	-	-	14,442,861
US All Cap Equity Fund	544,701	16,193,944	-	-	16,738,645
Value Fund	136,652,925	172,385,343	163	10,023,997	319,062,428

2017	Canadian dollar	US dollar	Japanese yen	Total
Canadian Opportunities Fund	\$ 6,992,040	\$ 18,289	\$ -	\$ 7,010,329
Corporate Bond Fund	168,337,037	25,912,977	-	194,250,014
Small Cap Opportunities Fund	158,406,974	31,203,195	-	189,610,169
Strategic Growth and Income Fund	14,917,055	6,366,058	-	21,283,113
US All Cap Equity Fund	2,294,002	17,335,014	-	19,629,016
Value Fund	98,029,658	155,393,627	3,035,657	256,458,942

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 9. Financial risk management (continued):

(c) Market risk (continued):

(ii) Currency risk (continued):

As at December 31, 2018 and 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 Funds would have decreased or increased respectively by the following amounts:

	2018	2017
Canadian Opportunities Fund	\$ 6,469	\$ 1,829
Corporate Bond Fund	7,758,387	2,591,298
North American Small Cap Fund	2,018	-
Small Cap Opportunities Fund	1,445,875	3,120,320
Strategic Growth and Income Fund	462,386	636,606
US All Cap Equity Fund	1,619,394	1,733,501
Value Fund	18,240,950	15,842,928

(iii) 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 changes arising from interest rate risk or currency risk), whether caused by factors specific to the security or its issuer, or by factors affecting all similar securities traded in a market.

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

The following table summarizes each Fund's exposure to other price risk as at December 31, 2018 and 2017:

	2018	2017
Canadian Opportunities Fund	\$ 5,291,048	\$ 6,841,330
Corporate Bond Fund	60,630,132	22,207,225
North American Small Cap Fund	107,853	-
Small Cap Opportunities Fund	149,095,923	152,553,918
Strategic Growth and Income Fund	14,171,957	16,150,431
US All Cap Equity Fund	16,720,779	19,418,642
Value Fund	312,660,457	174,795,597



# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 9. Financial risk management (continued):

(c) Market risk (continued):

(iii) Other price risk:

As at December 31, 2018 and 2017, if equity prices had increased or decreased by 10%, with all other factors remaining constant, the net assets of the Funds would have increased or decreased, respectively by the following amounts:

	2018	2017
Canadian Opportunities Fund	\$ 378,219	\$ 496,436
Corporate Bond Fund	1,086,992	227,121
North American Small Cap Fund	7,079	-
Small Cap Opportunities Fund	10,295,637	12,087,745
Strategic Growth and Income Fund	707,700	973,751
US All Cap Equity Fund	1,640,387	1,939,891
Value Fund	27,439,369	17,693,999

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. Fair value of financial instruments:

(a) Valuation models:

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

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

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the funds can access at the measurement date.
- Level 2: Inputs other than quoted market 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).

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

---

## 10. Fair value of financial instruments:

### (a) Valuation models (continued):

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

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

In determining fair value for these types of instruments the Manager considers the history and nature of the business; operating results and financial conditions; 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.

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 10. Fair value of financial instruments:

### (a) Valuation models (continued):

The table below presents the fair value of financial instruments as at December 31, 2018 and 2017 by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statements of Financial Position. All fair value measurements below are recurring.

	Level 1		Level 2		Level 3	
	2018	2017	2018	2017	2018	2017
<b>Canadian Opportunities Fund:</b>						
Equities	\$ 5,291,048	\$ 6,841,330	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-	117,000	1,088
Warrants	-	-	-	-	-	-
	<u>\$ 5,291,048</u>	<u>\$ 6,841,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,000</u>	<u>\$ 1,088</u>
<b>Corporate Bond Fund:</b>						
Bonds and loans	\$ 471,761,546	\$ 150,937,636	\$ -	\$ -	\$ 5,676,909	\$ 7,256,191
Closed end funds	34,832,136	7,040,212	-	-	-	-
Common shares	-	1,189,278	-	-	-	-
Preferred shares	25,797,996	13,977,735	-	-	-	-
Forward foreign currency contracts	-	-	(10,266,145)	2,771,504	-	-
	<u>\$ 532,391,678</u>	<u>\$ 173,144,861</u>	<u>\$ (10,266,145)</u>	<u>\$ 2,771,504</u>	<u>\$ 5,676,909</u>	<u>\$ 7,256,191</u>
<b>North American Small Cap Fund:</b>						
Equities	\$ 107,853	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-	6,000	-
Warrants	-	-	-	-	-	-
	<u>\$ 107,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,000</u>	<u>\$ -</u>
<b>Small Cap Opportunities Fund:</b>						
Equities	\$ 144,943,599	\$ 149,800,578	\$ -	\$ -	\$ 3,753,324	\$ 2,753,340
Bonds	-	-	-	-	7,177,000	2,488,418
Warrants	368,000	-	31,000	73,786	-	-
	<u>\$ 145,311,599</u>	<u>\$ 149,800,578</u>	<u>\$ 31,000</u>	<u>\$ 73,786</u>	<u>\$ 10,930,324</u>	<u>\$ 5,241,758</u>
<b>Strategic Growth and Income Fund:</b>						
Mutual funds	\$ 3,225,771	\$ 4,638,225	\$ 759,204	\$ 1,689,414	\$ -	\$ -
Equities	10,186,982	14,260,930	-	-	-	-
	<u>\$ 13,412,753</u>	<u>\$ 18,899,155</u>	<u>\$ 759,204</u>	<u>\$ 1,689,414</u>	<u>\$ -</u>	<u>\$ -</u>
<b>US All Cap Equity Fund:</b>						
Equities	\$ 16,720,779	\$ 19,418,642	\$ -	\$ -	\$ -	\$ -
	<u>\$ 16,720,779</u>	<u>\$ 19,418,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Value Fund:</b>						
Equities	\$ 312,660,457	\$ 168,624,480	\$ -	\$ -	\$ -	\$ -
Bonds	-	5,829,701	-	-	-	2,398,146
Warrants	-	6,171,117	-	-	-	-
	<u>\$ 312,660,457</u>	<u>\$ 180,625,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,398,146</u>

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

There have been no transfers between the three levels during the periods ended December 31, 2018 and 2017.

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 10. Fair value of financial instruments:

(a) Valuation models (continued):

The following table shows a reconciliation of the movement in fair value of all financial instruments categorized within Level 3, for those Funds holding such financial instruments, the Pender Canadian Opportunities Fund, Pender Corporate Bond Fund, Pender North American Small Cap Fund, Pender Small Cap Opportunities Fund, and Pender Value Fund for the years ended December 31, 2018 and 2017. The remaining Funds did not hold any financial instruments categorized with Level 3.

	2018	2017
<b>Canadian Opportunities Fund:</b>		
Opening balance	\$ 1,088	\$ 5,440
Purchase of investments	117,000	-
Sales of investments	(1,088)	-
Total gain (loss) recognized in comprehensive income	-	(4,352)
<b>Ending balance</b>	<b>\$ 117,000</b>	<b>\$ 1,088</b>
<b>Corporate Bond Fund:</b>		
Opening balance	\$ 7,265,191	\$ 4,650,740
Purchase of investments	1,723,211	3,043,846
Sales of investments	(1,649,388)	(468,759)
Total gain (loss) recognized in comprehensive income	(1,662,105)	39,364
<b>Ending balance</b>	<b>\$ 5,676,909</b>	<b>\$ 7,265,191</b>
<b>North American Small Cap Fund:</b>		
Opening balance	\$ -	\$ -
Purchase of investments	6,000	-
Sales of investments	-	-
Total gain (loss) recognized in comprehensive income	-	-
<b>Ending balance</b>	<b>\$ 6,000</b>	<b>\$ -</b>
<b>Small Cap Opportunities Fund:</b>		
Opening balance	\$ 5,241,758	\$ 4,473,065
Purchase of investments	8,177,000	768,969
Sales of investments	(2,488,730)	-
Total gain (loss) recognized in comprehensive income	296	(276)
<b>Ending balance</b>	<b>\$ 10,930,324</b>	<b>\$ 5,241,758</b>
<b>Value Fund:</b>		
Opening balance	\$ 2,398,146	\$ 1,902,605
Purchase of investments	-	1,276,895
Sales of investments	(1,146,316)	-
Total gain (loss) recognized in comprehensive income	(1,251,830)	(781,354)
<b>Ending balance</b>	<b>\$ -</b>	<b>\$ 2,398,146</b>

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 10. Fair value of financial instruments (continued):

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

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorized as Level 3 as at December 31, 2018 and 2017 for those funds with financial instruments categorized as Level 3, in the fair value hierarchy: the Pender Canadian Opportunities Fund, Pender Corporate Bond Fund, Pender North American Small Cap Fund, Pender Small Cap Opportunities Fund and Pender Value Fund.

2018				
Description	Fair value	Valuation technique	Unobservable input	Sensitivity to change in significant unobservable input
Canadian Opportunities Fund:				
Unlisted private investments	\$ 117,000	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Corporate Bond Fund:				
Unlisted private investments	\$ 5,676,909	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
North American Small Cap Fund:				
Unlisted private investments	\$ 6,000	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Small Cap Opportunities Fund:				
Unlisted private investments	\$ 10,930,324	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 10. Fair value of financial instruments (continued):

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

2017				
Description	Fair value	Valuation technique	Unobservable input	Sensitivity to change in significant unobservable input
Canadian Opportunities Fund:				
Unlisted private investments	\$ 1,088	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Corporate Bond Fund:				
Unlisted private investments	\$ 6,997,518	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Unlisted private investments	\$ 267,673	Income approach using net present value	Discount rate	The estimated fair value would increase if the discount rate decreased
Small Cap Opportunities Fund:				
Unlisted private investments	\$ 5,241,758	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Value Fund:				
Unlisted private investments	\$ 2,398,146	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased

Enterprise value represents the amount that market participants would pay when purchasing the investee company. The Manager determines this value using valuation techniques such as the use of comparable recent arm's length transactions in shares of the respective company and net present value calculated using discount rates derived from comparable market yields, for example.

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 10. Fair value of financial instruments (continued):

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

The Pender Canadian Opportunities Fund, Pender Corporate Bond Fund, Pender Small Cap Opportunities Fund and Pender Value Fund believe that their estimates of fair value are appropriate, however the use of different methodologies or assumptions could lead to different measurements of fair value. Changing one or more of the assumptions used for fair value measurements in Level 3 to alternative reasonably possible assumptions would have the following effects on the net assets attributable to holders of redeemable units as at December 31, 2018 and 2017. The remaining Funds did not have any financial instruments categorized with Level 3.

	2018	2017
Canadian Opportunities Fund:		
Favourable	\$ 11,700	\$ 109
Unfavourable	(11,700)	(109)
Corporate Bond Fund:		
Favourable	567,691	744,196
Unfavourable	(567,691)	(737,627)
North American Small Cap Fund:		
Favourable	600	-
Unfavourable	(600)	-
Small Cap Opportunities Fund:		
Favourable	1,093,032	524,176
Unfavourable	(1,093,032)	(524,176)
Value Fund:		
Favourable	-	239,815
Unfavourable	-	(239,815)

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

### (d) Financial instruments not measured at fair value:

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

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 11. Involvement with structured entities:

The table below describes the type of structured entities in which the Pender Corporate Bond Fund and the Pender Strategic Growth and Income Fund hold an interest but which they do not consolidate. The remaining Funds did not hold an interest in structured entities as at December 31, 2018 and 2017.

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

The table below sets out interests held by the Pender Corporate Bond Fund and the Pender Strategic Growth and Income Fund in unconsolidated structured entities as at December 31, 2018 and 2017. The maximum exposure to loss is the carrying amount of the investment in the underlying funds held.

Corporate Bond Fund	Number of investee funds held	Total net assets of investee funds	Carrying amount included in investments
2018	12	\$13,489,000,000	\$ 34,832,136
2017	5	3,690,000,000	7,040,212

Strategic Growth and Income Fund	Number of investee funds held	Total net assets of investee funds	Carrying amount included in investments
2018	2	\$ 701,890,569	\$ 3,984,975
2017	2	383,860,183	6,327,639

During the periods ended December 31, 2018 and 2017, the Pender Corporate Bond Fund and Pender Strategic Growth and Income Fund did not provide financial support to unconsolidated structured entities and have no intention of providing financial or other support. The Pender Corporate Bond Fund and Pender Strategic Growth and Income Fund can sell or redeem their units in the above investment funds at any time.

## 12. Income taxes:

As at December 31, 2018, the Pender Corporate Bond Fund has accumulated capital losses available for utilization against realized capital gains in future years of \$6,428,875 (2017 - \$9,820,702). As at December 31, 2018, the Pender North American Small Cap Fund has accumulated capital losses available for utilization against realized capital gains in future years of \$2,403 (2017 - \$nil). Capital losses have no expiry date. The remaining Funds have no accumulated capital losses as at December 31, 2018 or 2017. None of the Funds have non-capital losses available for carry forward.



# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

## 13. Change in accounting policy:

The Funds have adopted IFRS 9 *Financial Instruments* ("IFRS 9") with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"), which it replaces. IFRS 9 specifies the accounting for financial instruments, including: classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 has been applied retrospectively. The nature and effects of the key changes to the Funds' accounting policy are summarized below.

### (a) Classification and measurement of financial assets and liabilities:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Funds may also, at initial recognition, irrevocably designate a financial asset as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Funds may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency.

The adoption of IFRS 9 did not result in any measurement differences in the Funds' financial assets and liabilities as at the transition date. The following table shows the original classification and measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at January 1, 2018.

	Original Classification under IAS 39	New Classification under IFRS 9
<b>Financial assets:</b>		
Cash	Loans and receivables	Amortized cost
Receivable for investments sold	Loans and receivables	Amortized cost
Subscriptions receivable	Loans and receivables	Amortized cost
Dividend receivable	Loans and receivables	Amortized cost
Interest receivable	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Derivative assets	Held-for-trading	FVTPL
Investments	FVTPL	FVTPL
<b>Financial liabilities</b>		
Payable for investments purchased	Other financial liabilities	Amortized cost
Distributions payable to holders of redeemable units	Other financial liabilities	Amortized cost
Redemptions payable to holders of redeemable units	Other financial liabilities	Amortized cost
Management and administration fees payable	Other financial liabilities	Amortized cost
Interest payable	Other financial liabilities	Amortized cost
Derivative liabilities	Held-for-trading	FVTPL
Investments sold short	FVTPL	FVTPL

# PENDER MUTUAL FUNDS

Notes to Financial Statements

Year/Period ended December 31, 2018

---

## 13. Change in accounting policy (continued):

(b) Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. As the Funds measure their financial assets at FVTPL or hold only short-term financial assets at amortized cost, the impairment requirements under the new standard do not impact these financial statements.

(c) Hedge accounting:

As permitted by IFRS 9, an election is available to continue to apply the hedge accounting requirements of IAS 39. However, the Funds have not applied hedge accounting under either standard. Therefore, the hedge accounting requirements under the new standard do not impact these financial statements.