

**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

# Pender Corporate Bond Fund

For the year ended December 31, 2018

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

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

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

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Investment Objective and Strategies

The Pender Corporate Bond Fund's (the "Fund") 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.

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

### Risks

The risks of investing in the Fund are outlined in the Simplified Prospectus dated June 25, 2018. Interest rate risk and credit risk remain the principal risks associated with the Fund. There were no significant changes to the Fund that affected its overall level of risk during the year.

### Results of Operations

The net assets of the Fund as at December 31, 2018 increased overall to \$543,496,158 from \$194,250,014 as at December 31, 2017. Of this \$349,246,144 increase, \$16,429,219 is attributable to investment performance and \$332,816,925 is attributable to net unitholder purchases of the Fund.

For the year ended December 31, 2018, Class A units of the Fund generated a total return of 5.5%. Returns for other classes of the Fund will be similar to Class A with any difference in performance being primarily due to different management fees that are applicable to different classes. Please see the "Past Performance" section for the performance of the Fund's other classes.

The Fund's broad-based benchmark, the FTSE/TMX Canada Universe Bond Index, returned 1.4% during the year. In accordance with National Instrument 81-106, we have included a comparison to this broad-based index to help you understand the Fund's performance relative to the general performance of the market, but caution that the Fund's mandate may be significantly different from the index. For example, the Fund's returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund's benchmark, which are based on the performance of an index that does not pay fees or incur expenses.

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

The Fund's outperformance as compared to its benchmark during 2018 was due to particular strength in holdings of bonds such as Amyris, Inc., Gran Colombia Gold Corp., Element Fleet Management Corp., Aceto Corporation and Global Eagle Entertainment Inc, which rallied strongly on good earnings results. In addition, the announced acquisition of the Fund's holding, Primero Mining Corp. resulted in significant capital price appreciation to par in the holding. The Fund also benefited from its position in the distressed Commonwealth of Puerto Rico bonds which rallied on investors' more positive view as the island's recovery and debt restructuring efforts showed progress. In second half of 2018, strong performers for the Fund included positions in bonds and preferred shares of Aimia Inc., which rallied on the sale of that company's Aeroplan business back to Air Canada. Offsetting these strengths, weakness in the distressed credit of Orexigen Therapeutics Inc and Global Brokerage, Inc. had the largest adverse impact. In addition the Fund had a modest decline in the last quarter of the year due to lower prices in some high yield positions, which fell parallel with a major decline in the high yield index, offset by a smaller rise in the value in the Fund's AAA government bond holdings, investment grade corporates and certain municipal closed-end fund securities.

During the year, the Fund reduced its credit risk, as we saw the high yield bond index spread decline to the lowest levels in four years. As a result of this change, the Fund increased its weighting in investment grade securities issued by companies such as McDonald's Corporation, PepsiCo, Inc., The Walt Disney Company, Verisign, Inc. and others. In addition, the Fund also added positions in "AAA" issuers such as the City of Vancouver, United States ("US") Treasury, and the Government of Canada, which is now the highest weight in the Fund by issuer.

## Recent Developments

To begin, we believe the risk-free rate still looks attractive for a change. With Treasury Inflation-Protected Securities markets pointing to falling inflation and with some dislocation in corporate credit, a year with at least stable pricing for government bonds seems to be a reasonable bet. We have no heroic assumptions about the level of return from AAA, but we do view this area is likely to yield positive net results.

Taking a step forward into moderate risk, we still observe the closed-end funds that track the US municipal bond market trading at discounts of 15-17% from daily struck-NAV. We believe that US states are, as a group, relatively low risk credits. As the market shook in December, we saw underlying municipal bond holdings rise in price but discounts-to-NAV expand to levels not seen outside of a few weeks in the middle of the 2008-09 financial crisis.

Taking yet another step forward along the risk spectrum, we view with some excitement the depressed state of securities prices in the area of US residential real estate. We think the fundamentals of US housing, given a moderated interest rate environment, are at least OK, and possibly very good. Good consumer debt service ratios on the part of Americans, a degree of pent-up demand in terms of household formation levels, decent asset valuations and a relatively strong current employment situation all support a stronger US housing market. Even in a slowdown scenario, we expect US housing to be resilient. We note that recently Berkshire Hathaway, a capital allocator with above average insight, in our estimation, has increased its investments in the homebuilding industry.

Overall our response to the changing environment has been to position the Fund in short duration credit that should allow us to earn a reasonable return while protecting capital. Our strategy, beyond this simple core, continues to favor well-protected positions with a degree of "room to run" upside in areas such as discounted closed-end funds, currently out-of-the-money convertible notes, and select credit positions that we believe to be unfairly discounted.

## Related Party Transactions

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

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

## Management Fees

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

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

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

**FINANCIAL HIGHLIGHTS**

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

**CLASS A**

<b>Fund's Net Assets Per Unit (a)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net assets – beginning of year	\$11.92	\$11.48	\$9.70	\$11.26	\$11.63
<b>Increase (decrease) from operations:</b>					
Total revenue	0.56	0.61	0.61	0.84	0.72
Total expenses	(0.25)	(0.24)	(0.22)	(0.25)	(0.27)
Realized gains (losses)	0.18	0.90	0.18	(1.17)	(0.33)
Unrealized gains (losses)	-	(0.49)	1.56	(0.24)	(0.05)
<b>Total increase (decrease) from operations (b)</b>	<b>0.49</b>	<b>0.78</b>	<b>2.13</b>	<b>(0.82)</b>	<b>0.07</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.32)	(0.30)	(0.31)	(0.53)	(0.45)
From dividends	(0.02)	(0.03)	(0.04)	(0.01)	-
From capital gains	-	-	-	-	-
Return of capital	-	-	(0.05)	(0.08)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.34)</b>	<b>(0.33)</b>	<b>(0.40)</b>	<b>(0.62)</b>	<b>(0.45)</b>
<b>Net assets – end of year</b>	<b>\$12.24</b>	<b>\$11.92</b>	<b>\$11.48</b>	<b>\$9.70</b>	<b>\$11.26</b>
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$76,888	\$38,229	\$38,595	\$53,812	\$116,928
Number of units outstanding (a)	6,280,891	3,206,403	3,362,129	5,546,256	10,386,906
Management expense ratio (d)	1.95%	1.95%	1.95%	2.22%	2.25%
Management expense ratio before absorptions (e)	1.95%	1.95%	1.95%	2.22%	2.25%
Trading expense ratio (f)	0.05%	0.07%	0.08%	0.02%	0.00%
Portfolio turnover rate (g)	69.13%	95.38%	142.68%	74.82%	97.92%
Net asset value per unit (a)	\$12.24	\$11.92	\$11.48	\$9.70	\$11.26

**CLASS D**

<b>Fund's Net Assets Per Unit (a)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net assets – beginning of year	\$10.92	\$10.52	\$8.90	\$10.00	
<b>Increase (decrease) from operations:</b>					
Total revenue	0.43	0.50	0.54	0.36	
Total expenses	(0.17)	(0.17)	(0.15)	(0.08)	
Realized gains (losses)	0.16	0.70	0.35	(0.91)	
Unrealized gains (losses)	0.04	(0.35)	1.45	(0.19)	
<b>Total increase (decrease) from operations (b)</b>	<b>0.46</b>	<b>0.68</b>	<b>2.19</b>	<b>(0.82)</b>	
<b>Distributions:</b>					
From income (excluding dividends)	(0.36)	(0.33)	(0.34)	(0.25)	
From dividends	(0.02)	(0.03)	(0.05)	-	
From capital gains	-	-	-	-	
Return of capital	-	-	(0.03)	(0.03)	
<b>Total annual distributions (b), (c)</b>	<b>(0.38)</b>	<b>(0.36)</b>	<b>(0.42)</b>	<b>(0.28)</b>	
<b>Net assets – end of year</b>	<b>\$11.23</b>	<b>\$10.92</b>	<b>\$10.52</b>	<b>\$8.90</b>	
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$1,726	\$182	\$48	\$5	
Number of units outstanding (a)	153,752	16,702	4,562	515	
Management expense ratio (d)	1.40%	1.40%	1.40%	1.61%	
Management expense ratio before absorptions (e)	1.40%	1.40%	1.40%	1.61%	
Trading expense ratio (f)	0.05%	0.07%	0.08%	0.02%	
Portfolio turnover rate (g)	69.13%	95.38%	142.68%	74.82%	
Net asset value per unit (a)	\$11.23	\$10.92	\$10.52	\$8.90	

## FINANCIAL HIGHLIGHTS (CONTINUED)

<b>CLASS F</b>					
<b>Fund's Net Assets Per Unit (a)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net assets – beginning of year	\$11.92	\$11.48	\$9.70	\$11.27	\$11.64
<b>Increase (decrease) from operations:</b>					
Total revenue	0.56	0.57	0.61	0.85	0.72
Total expenses	(0.15)	(0.15)	(0.14)	(0.17)	(0.19)
Realized gains (losses)	0.13	0.79	0.19	(1.17)	(0.31)
Unrealized gains (losses)	(0.07)	(0.40)	1.54	(0.19)	(0.07)
<b>Total increase (decrease) from operations (b)</b>	<b>0.47</b>	<b>0.81</b>	<b>2.20</b>	<b>(0.68)</b>	<b>0.15</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.42)	(0.39)	(0.37)	(0.60)	(0.54)
From dividends	(0.02)	(0.04)	(0.05)	(0.01)	-
From capital gains	-	-	-	-	-
Return of capital	-	-	(0.06)	(0.09)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.44)</b>	<b>(0.43)</b>	<b>(0.48)</b>	<b>(0.70)</b>	<b>(0.54)</b>
<b>Net assets – end of year</b>	<b>\$12.25</b>	<b>\$11.92</b>	<b>\$11.48</b>	<b>\$9.70</b>	<b>\$11.27</b>
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$246,709	\$68,365	\$34,938	\$30,490	\$89,393
Number of units outstanding (a)	20,139,093	5,733,494	3,044,053	3,141,898	7,934,923
Management expense ratio (d)	1.15%	1.15%	1.15%	1.47%	1.50%
Management expense ratio before absorptions (e)	1.15%	1.15%	1.15%	1.47%	1.50%
Trading expense ratio (f)	0.05%	0.07%	0.08%	0.02%	0.00%
Portfolio turnover rate (g)	69.13%	95.38%	142.68%	74.82%	97.92%
Net asset value per unit (a)	\$12.25	\$11.92	\$11.48	\$9.70	\$11.27

<b>CLASS H</b>					
<b>Fund's Net Assets Per Unit (a)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net assets – beginning of year	\$10.51	\$10.11	\$8.55	\$9.88	\$10.19
<b>Increase (decrease) from operations:</b>					
Total revenue	0.51	0.52	0.60	0.74	0.64
Total expenses	(0.19)	(0.18)	(0.17)	(0.18)	(0.20)
Realized gains (losses)	0.15	0.74	0.07	(1.07)	(0.26)
Unrealized gains (losses)	(0.03)	(0.39)	1.26	(0.13)	(0.12)
<b>Total increase (decrease) from operations (b)</b>	<b>0.44</b>	<b>0.69</b>	<b>1.76</b>	<b>(0.64)</b>	<b>0.06</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.31)	(0.30)	(0.29)	(0.49)	(0.44)
From dividends	(0.02)	(0.03)	(0.04)	(0.01)	-
From capital gains	-	-	-	-	-
Return of capital	-	-	(0.05)	(0.07)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.33)</b>	<b>(0.33)</b>	<b>(0.38)</b>	<b>(0.57)</b>	<b>(0.44)</b>
<b>Net assets – end of year</b>	<b>\$10.79</b>	<b>\$10.51</b>	<b>\$10.11</b>	<b>\$8.55</b>	<b>\$9.88</b>
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$38,560	\$19,159	\$12,116	\$5,738	\$12,338
Number of units outstanding (a)	3,573,651	1,823,363	1,198,204	671,067	1,248,886
Management expense ratio (d)	1.65%	1.65%	1.65%	1.84%	1.85%
Management expense ratio before absorptions (e)	1.65%	1.65%	1.65%	1.84%	1.85%
Trading expense ratio (f)	0.05%	0.07%	0.08%	0.02%	0.00%
Portfolio turnover rate (g)	69.13%	95.38%	142.68%	74.82%	97.92%
Net asset value per unit (a)	\$10.79	\$10.51	\$10.11	\$8.55	\$9.88

## FINANCIAL HIGHLIGHTS (CONTINUED)

<b>CLASS I</b>					
<b>Fund's Net Assets Per Unit (a)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net assets – beginning of year	\$10.24	\$9.85	\$8.34	\$9.66	\$10.00
<b>Increase (decrease) from operations:</b>					
Total revenue	0.51	0.48	0.55	0.70	0.33
Total expenses	(0.12)	(0.10)	(0.11)	(0.12)	(0.08)
Realized gains (losses)	0.10	0.66	0.16	(1.03)	(0.29)
Unrealized gains (losses)	(0.09)	(0.32)	1.24	(0.37)	(0.11)
<b>Total increase (decrease) from operations (b)</b>	<b>0.40</b>	<b>0.72</b>	<b>1.84</b>	<b>(0.82)</b>	<b>(0.15)</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.37)	(0.35)	(0.33)	(0.53)	(0.25)
From dividends	(0.02)	(0.03)	(0.04)	(0.01)	-
From capital gains	-	-	-	-	-
Return of capital	-	-	(0.06)	(0.08)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.39)</b>	<b>(0.38)</b>	<b>(0.43)</b>	<b>(0.62)</b>	<b>(0.25)</b>
<b>Net assets – end of year</b>	<b>\$10.53</b>	<b>\$10.24</b>	<b>\$9.85</b>	<b>\$8.34</b>	<b>\$9.66</b>
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$140,680	\$42,272	\$16,158	\$14,004	\$9,102
Number of units outstanding (a)	13,366,024	4,127,027	1,639,624	1,679,060	941,744
Management expense ratio (d)	1.00%	1.00%	1.00%	1.26%	1.35%
Management expense ratio before absorptions (e)	1.00%	1.00%	1.00%	1.26%	1.35%
Trading expense ratio (f)	0.05%	0.07%	0.08%	0.02%	0.00%
Portfolio turnover rate (g)	69.13%	95.38%	142.68%	74.82%	97.92%
Net asset value per unit (a)	\$10.53	\$10.24	\$9.85	\$8.34	\$9.66

<b>CLASS O</b>					
<b>Fund's Net Assets Per Unit (a)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net assets – beginning of year	\$10.37	\$9.97	\$8.49	\$9.84	\$10.14
<b>Increase (decrease) from operations:</b>					
Total revenue	0.51	0.50	0.42	0.74	0.63
Total expenses	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses)	0.23	0.70	0.44	(1.01)	(0.24)
Unrealized gains (losses)	0.11	(0.34)	1.16	(0.06)	(0.07)
<b>Total increase (decrease) from operations (b)</b>	<b>0.84</b>	<b>0.85</b>	<b>2.01</b>	<b>(0.34)</b>	<b>0.31</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.47)	(0.44)	(0.42)	(0.65)	(0.63)
From dividends	(0.03)	(0.05)	(0.06)	(0.01)	-
From capital gains	-	-	-	-	-
Return of capital	-	-	(0.05)	(0.09)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.50)</b>	<b>(0.49)</b>	<b>(0.53)</b>	<b>(0.75)</b>	<b>(0.63)</b>
<b>Net assets – end of year</b>	<b>\$10.64</b>	<b>\$10.37</b>	<b>\$9.97</b>	<b>\$8.49</b>	<b>\$9.84</b>
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$8,387	\$12,351	\$7,813	\$3,038	\$8,159
Number of units outstanding (a)	787,928	1,191,011	783,439	357,754	829,484
Management expense ratio (d)	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (e)	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio (f)	0.05%	0.07%	0.08%	0.02%	0.00%
Portfolio turnover rate (g)	69.13%	95.38%	142.68%	74.82%	97.92%
Net asset value per unit (a)	\$10.64	\$10.37	\$9.97	\$8.49	\$9.84

## FINANCIAL HIGHLIGHTS (CONTINUED)

<b>CLASS A (USD)</b>					
<b>Fund's Net Assets Per Unit (a)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net assets – beginning of year	\$12.48	\$12.67	\$11.08	\$10.78	\$10.33
<b>Increase (decrease) from operations:</b>					
Total revenue	1.07	0.46	0.66	0.88	0.67
Total expenses	(0.29)	(0.26)	(0.24)	(0.25)	(0.25)
Realized gains (losses)	0.01	0.98	(0.24)	0.57	0.57
Unrealized gains (losses)	0.73	(0.96)	0.58	(0.15)	(0.09)
<b>Total increase (decrease) from operations (b)</b>	<b>1.52</b>	<b>0.22</b>	<b>0.76</b>	<b>1.05</b>	<b>0.90</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.35)	(0.31)	(0.34)	(0.57)	(0.38)
From dividends	(0.02)	(0.04)	(0.03)	(0.01)	-
From capital gains	-	-	-	-	-
Return of capital	-	-	(0.08)	(0.08)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.37)</b>	<b>(0.35)</b>	<b>(0.45)</b>	<b>(0.66)</b>	<b>(0.38)</b>
<b>Net assets – end of year</b>	<b>\$13.89</b>	<b>\$12.48</b>	<b>\$12.67</b>	<b>\$11.08</b>	<b>\$10.78</b>
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$6,177	\$1,264	\$1,420	\$4,291	\$6,066
Number of units outstanding (a)	444,755	101,249	112,029	387,216	562,640
Management expense ratio (d)	1.95%	1.95%	1.95%	2.20%	2.25%
Management expense ratio before absorptions (e)	1.95%	1.95%	1.95%	2.20%	2.25%
Trading expense ratio (f)	0.05%	0.07%	0.08%	0.02%	0.00%
Portfolio turnover rate (g)	69.13%	95.38%	142.68%	74.82%	97.92%
Net asset value per unit (a)	\$13.89	\$12.48	\$12.67	\$11.08	\$10.78
<b>CLASS F (USD)</b>					
<b>Fund's Net Assets Per Unit (a)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net assets – beginning of year	\$12.35	\$12.54	\$11.04	\$10.74	\$10.29
<b>Increase (decrease) from operations:</b>					
Total revenue	1.05	0.38	1.17	0.88	0.66
Total expenses	(0.17)	(0.14)	(0.16)	(0.17)	(0.17)
Realized gains (losses)	0.08	0.67	(0.33)	0.80	0.53
Unrealized gains (losses)	0.75	(0.83)	0.78	(0.24)	(0.12)
<b>Total increase (decrease) from operations (b)</b>	<b>1.71</b>	<b>0.08</b>	<b>1.46</b>	<b>1.27</b>	<b>0.90</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.44)	(0.43)	(0.40)	(0.65)	(0.45)
From dividends	(0.02)	(0.04)	(0.05)	(0.01)	-
From capital gains	-	-	-	-	-
Return of capital	-	-	(0.07)	(0.10)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.46)</b>	<b>(0.47)</b>	<b>(0.52)</b>	<b>(0.76)</b>	<b>(0.45)</b>
<b>Net assets – end of year</b>	<b>\$13.75</b>	<b>\$12.35</b>	<b>\$12.54</b>	<b>\$11.04</b>	<b>\$10.74</b>
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$24,368	\$12,427	\$985	\$1,464	\$6,646
Number of units outstanding (a)	1,772,010	1,006,425	78,583	132,598	618,944
Management expense ratio (d)	1.15%	1.15%	1.15%	1.46%	1.50%
Management expense ratio before absorptions (e)	1.15%	1.15%	1.15%	1.46%	1.50%
Trading expense ratio (f)	0.05%	0.07%	0.08%	0.02%	0.00%
Portfolio turnover rate (g)	69.13%	95.38%	142.68%	74.82%	97.92%
Net asset value per unit (a)	\$13.75	\$12.35	\$12.54	\$11.04	\$10.74

**FINANCIAL HIGHLIGHTS (CONTINUED)****Footnotes:**

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

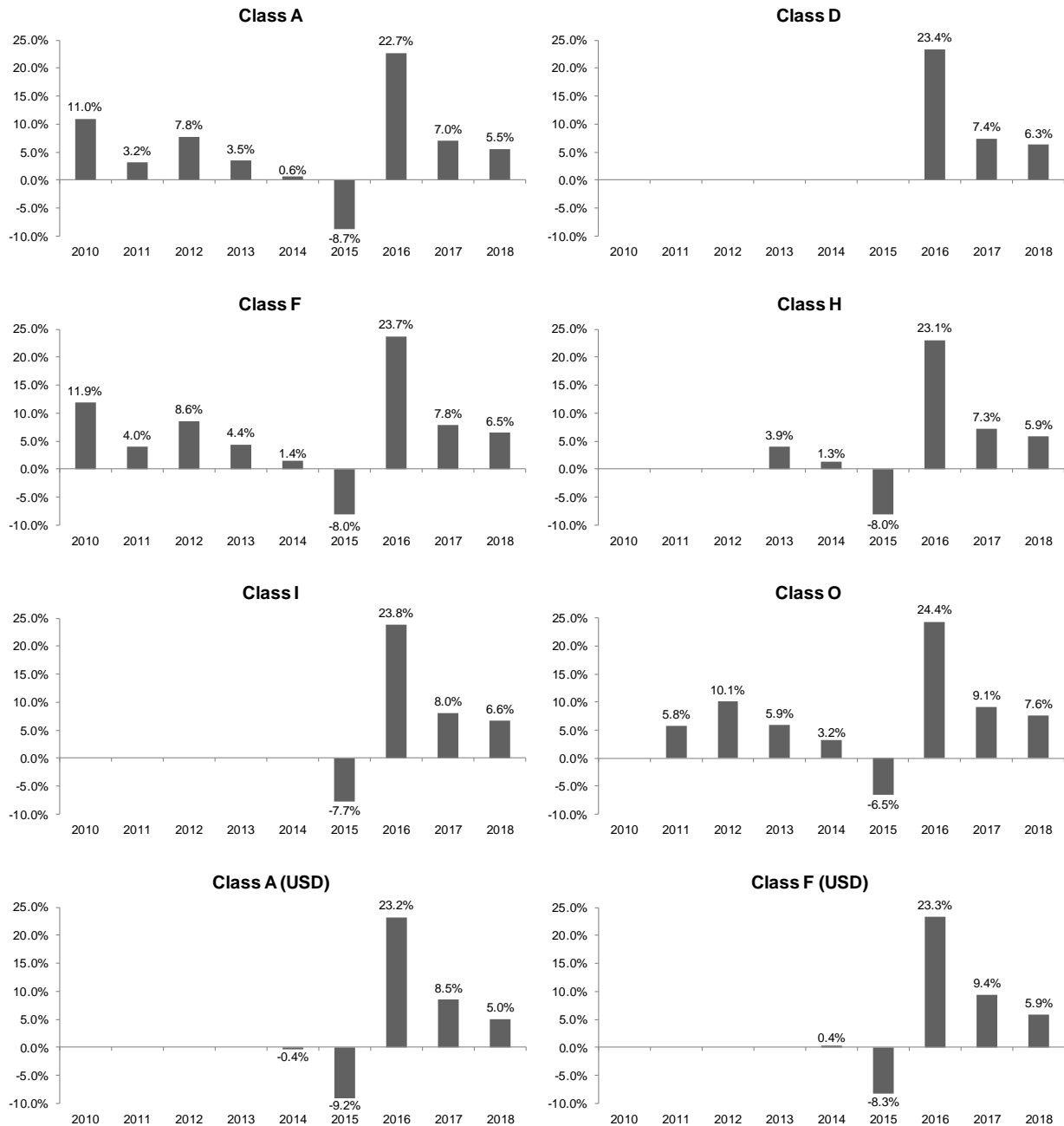


**PAST PERFORMANCE**

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

**Year-by-Year Returns**

To illustrate how the Fund’s performance has varied over time, the following bar charts show the annual returns for the calendar years indicated. The information is presented starting from the first full financial year of the respective Fund class. In percentage terms, the bar charts show how much an investment held on the first day of the year would have increased or decreased by the last day of the year.



## Annual Compound Returns

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

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

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

	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Since Inception</b>	<b>Inception Date</b>
Class A	5.5%	11.5%	4.9%	6.2%	06/01/2009
Benchmark	1.4%	1.9%	3.5%	4.2%	
Class D	6.3%	12.1%	-	7.6%	06/30/2015
Benchmark	1.4%	1.9%	-	1.9%	
Class F	6.5%	12.4%	5.8%	7.1%	06/01/2009
Benchmark	1.4%	1.9%	3.5%	4.2%	
Class H	5.9%	11.8%	5.4%	5.5%	06/19/2012
Benchmark	1.4%	1.9%	3.5%	2.7%	
Class I	6.6%	12.6%	-	6.1%	06/30/2014
Benchmark	1.4%	1.9%	-	2.8%	
Class O	7.6%	13.4%	7.1%	7.1%	11/24/2010
Benchmark	1.4%	1.9%	3.5%	3.5%	
Class A (USD)	5.0%	12.0%	4.9%	4.7%	08/30/2013
Benchmark (USD)	-6.8%	2.3%	-1.5%	-1.5%	
Class F (USD)	5.9%	12.6%	5.6%	5.4%	08/30/2013
Benchmark (USD)	-6.8%	2.3%	-1.5%	-1.5%	

**SUMMARY OF INVESTMENT PORTFOLIO**

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

## Summary of Top 25 Holdings

	<b>% of Net Assets</b>
Verisign, Inc., 4.63%, 2023/05/01	3.5
Just Energy Group Inc., 6.50%, 2019/07/29	3.0
SunPower Corporation, 4.00%, 2023/01/15	2.8
United States Treasury Bond, 2.88%, 2023/10/31	2.8
Louisiana-Pacific Corporation, 4.88%, 2024/09/15	2.7
Canadian National Railway Company, 2.75%, 2021/02/18	2.6
Osisko Gold Royalties Ltd., 4.00%, 2022/12/31	2.6
McDonald's Corporation, 3.13%, 2025/03/04	2.5
Dean Foods Company, 6.50%, 2023/03/15	2.0
Government of Canada, 2.75%, 2022/06/01	2.0
Netflix, Inc., 5.50%, 2022/02/15	2.0
W&T Offshore, Inc., 9.75%, 2023/11/01	2.0
Amyris, Inc., 6.50%, 2019/05/15	1.9
Government of Canada, 1.75%, 2020/08/01	1.8
National Grid Electricity Transmission, 2.90%, 2019/11/26	1.8
Amyris, Inc., 9.50%, 2019/04/15	1.6
Government of Canada, 1.25%, 2019/11/01	1.6
LGI Homes, Inc., 6.88%, 2026/07/15	1.6
Steel Connect, Inc., 5.25%, 2019/03/01	1.6
Symantec Corporation, 3.95%, 2022/06/15	1.5
United States Treasury Bond, 2.00%, 2022/10/31	1.5
Canadian Pacific Railway Company, 5.10%, 2022/01/14	1.4
Eldorado Gold Corporation, 6.13%, 2020/12/15	1.4
Norbord Inc., 6.25%, 2023/04/15	1.4
Parkland Fuel Corporation, 6.00%, 2022/11/21	1.3

## Summary of Composition of the Portfolio

	<b>% of Net Assets</b>
US corporate bonds and loans	42.2
Canadian corporate bonds and loans	26.2
Government bonds	14.3
Closed end funds	6.4
Foreign corporate bonds and loans	5.2
Preferred Shares	4.7
<b>Total investments</b>	<b>99.0</b>
Derivative liabilities	(1.9)
<b>Total investment portfolio</b>	<b>97.1</b>
Cash	1.8
Other assets less liabilities	1.1
<b>Total net assets</b>	<b>100.0</b>

## Caution Regarding Forward-Looking Statements

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

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

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

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

# PENDER

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