

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Pender US All Cap Equity Fund

For the year ended December 31, 2018



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 or the SEDAR website at www.sedar.com.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The primary objective of the Pender US All Cap Equity Fund (the "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.

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. 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 decreased overall to \$16,738,645 from \$19,629,016 as at December 31, 2017. Of this \$2,890,371 decrease, \$905,893 is attributable to investment performance and \$1,984,478 is attributable to net unitholder redemptions of the Fund.

For the year ended December 31, 2018, Class A units of the Fund generated a total return of -6.5%. 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. Returns for Class A (USD) and Class F (USD) will differ primarily due to foreign currency as these classes are denominated in US dollars and all remaining classes are denominated in Canadian dollars. Please see the "Past Performance" section for the performance of the Fund's other classes.

The Fund's broad-based benchmark, the S&P 500 Index ("S&P 500") (in Canadian dollars), returned 4.1% 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. The Fund's mandate is "all cap" which allows for inclusion of securities outside the large cap oriented S&P 500. Most of the Fund's holdings are not members of the S&P 500 at this time because we believe better value and superior long-term opportunities can be found among smaller companies in today's market environment. Further, 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 underperformance as compared to its benchmark was due to a combination of stock selection in the Consumer Discretionary and Industrials sectors and sector allocation. We do not actively manage sector weightings in the Fund, rather, our sector weightings are determined by individual stock selection through a bottom-up fundamental investment process. We seek to own securities where our estimated range for the long-term intrinsic value of the underlying assets are higher than implied by the current share price.

Key positive contributors to the Fund's performance for the year included TripAdvisor, Inc., Syntel, Inc., and Energy XXI Gulf Coast, Inc. Conversely, Colfax Corporation, FRMO Corporation and Liberty Latin America Ltd. had the largest adverse impact.

Portfolio transactions during the year were made based on our stock selection process. In general, we increased weightings of individual stocks where we determined the margin of safety had increased and decreased their weightings as their traded market values moved closer to our estimates of their intrinsic values. We are constantly looking for new investment ideas and examples of new investments are The Middleby Corporation and JD.com, Inc. We may liquidate our positions for various reasons, such as when share prices have reached our assessment of fair value, when an acquisition has occurred, or where we have changed our investment thesis. During the year, we sold Markel Corporation, POSCO, and Onex Corporation, and two companies were acquired by third parties: Syntel Inc. and Energy XXI Gulf Coast.

As at the end of the year, the Fund was fully invested with 97% in US-listed securities and 3% in Canadian-listed securities. Historically, we have not held large cash balances in this mandate, however, cash level may vary in the future depending on the market opportunity set. The Fund's investment portfolio is concentrated and not diversified in the conventional sense. The Fund's top 10 holdings account for 81% of the Fund's net assets at the end of the year. This concentration may lead to varied results over any given year.

Overall sector exposure of the Fund is determined by stock selection and may shift from time to time. As at December 31, 2018 we were weighted toward holdings in Communication Services, Industrials, and Consumer Discretionary sectors because those sectors are where we believe we are currently finding the best investment opportunities and, equally important, they contain businesses for which we are best equipped to assess value. These top three sectors accounted for 73% of the Fund at the end of the year.

Recent Developments

Global stock markets were unusually volatile in 2018. The US large cap focused S&P 500 was characterized by record highs and two sharp intra-year declines of 10% or more in 2018. For the full year, the S&P 500 posted its worst performance since 2008. The FAANG (Facebook, Apple, Amazon, Netflix and Google) stocks, which have long led the market, also experienced sizable declines from their earlier 2018 highs.

By year end, investor sentiment was very negative as scary headline news about the US China trade war and concerns about monetary policy stoked investor fears. CNN's Business' Fear & Greed Index, a proxy for US investor sentiment, remained at "Extreme Fear" levels for most of the fourth quarter. The silver lining, if history is a guide, is that markets do not usually remain in a state of extreme fear for long. In the meantime, years such as this one can provide good opportunities for value-seeking investors to upgrade their portfolios. When investors become increasingly fearful and stampede for the exits en masse, the broad opportunity set widens. Indiscriminate selling during such corrections often takes down both great and mediocre companies alike. In this context, as part of our portfolio management process, we made trades during this year that we believe improve the risk-adjusted total return potential of the Fund. We believe a number of securities currently held in the Fund have the potential to rebound like a coiled spring from these depressed levels, once the market's mood normalizes.

The Fund's "all cap" mandate allows us to focus on holdings in any area of the market where we find the best value. Historically, we have tended to focus on the small-to-medium market capitalization universe and on individual names that we believe have been largely ignored and underappreciated by investors. We believe the best absolute and relative value is often found in idiosyncratic small-and mid-sized companies.

We believe many of the Fund's holdings have strong underlying economics and medium-term growth prospects. According to our analyses, most of our holdings have increased their intrinsic value and/or deepened their "moats" during the year, which we believe will be reflected in their respective share prices over time.

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 9% of the Fund's 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

| Fund's Net Assets Per Unit (a) | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------|----------------|----------------|----------------|----------------|
| Net assets – beginning of year | \$12.61 | \$11.78 | \$12.02 | \$12.27 | \$11.86 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.07 | 0.09 | 0.47 | 0.10 | 0.06 |
| Total expenses | (0.32) | (0.31) | (0.35) | (0.32) | (0.31) |
| Realized gains (losses) | 1.78 | 2.13 | (0.55) | 1.22 | (0.01) |
| Unrealized gains (losses) | (2.18) | (0.04) | 0.19 | (0.91) | 0.50 |
| Total increase (decrease) from operations (b) | (0.65) | 1.87 | (0.24) | 0.09 | 0.24 |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.80) | - | (0.10) | - | - |
| From dividends | (0.01) | - | (0.03) | - | - |
| From capital gains | (0.73) | (0.96) | - | (0.44) | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions (b), (c) | (1.54) | (0.96) | (0.13) | (0.44) | - |
| Net assets – end of year | \$10.22 | \$12.61 | \$11.78 | \$12.02 | \$12.27 |
| Ratios and Supplemental Data | | | | | |
| Total net asset value (\$000s) (a) | \$6,756 | \$8,215 | \$8,492 | \$10,683 | \$12,026 |
| Number of units outstanding (a) | 660,864 | 651,735 | 720,635 | 888,473 | 980,302 |
| Management expense ratio (d) | 2.35% | 2.35% | 2.40% | 2.45% | 2.45% |
| Management expense ratio before absorptions (e) | 2.35% | 2.35% | 2.40% | 2.45% | 2.45% |
| Trading expense ratio (f) | 0.05% | 0.04% | 0.03% | 0.04% | 0.03% |
| Portfolio turnover rate (g) | 50.44% | 38.30% | 40.36% | 43.62% | 26.46% |
| Net asset value per unit (a) | \$10.22 | \$12.61 | \$11.78 | \$12.02 | \$12.27 |

CLASS D

| Fund's Net Assets Per Unit (a) | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|-------------|
| Net assets – beginning of year | \$9.59 | \$9.05 | \$9.25 | \$10.00 | |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.05 | 0.07 | 0.36 | 0.08 | |
| Total expenses | (0.14) | (0.05) | (0.14) | (0.08) | |
| Realized gains (losses) | 1.36 | 1.64 | (0.43) | 0.11 | |
| Unrealized gains (losses) | (4.02) | (0.25) | 0.66 | (0.20) | |
| Total increase (decrease) from operations (b) | (2.75) | 1.41 | 0.45 | (0.10) | |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.73) | - | (0.18) | - | |
| From dividends | (0.01) | - | (0.02) | - | |
| From capital gains | (0.56) | (0.91) | - | (0.75) | |
| Return of capital | - | - | - | - | |
| Total annual distributions (b), (c) | (1.29) | (0.91) | (0.20) | (0.75) | |
| Net assets – end of year | \$7.73 | \$9.59 | \$9.05 | \$9.25 | |
| Ratios and Supplemental Data | | | | | |
| Total net asset value (\$000s) (a) | \$34 | \$18 | \$16 | \$5 | |
| Number of units outstanding (a) | 4,372 | 1,911 | 1,735 | 542 | |
| Management expense ratio (d) | 1.60% | 1.60% | 1.60% | 1.60% | |
| Management expense ratio before absorptions (e) | 1.60% | 1.60% | 1.60% | 1.60% | |
| Trading expense ratio (f) | 0.05% | 0.04% | 0.03% | 0.04% | |
| Portfolio turnover rate (g) | 50.44% | 38.30% | 40.36% | 43.62% | |
| Net asset value per unit (a) | \$7.73 | \$9.59 | \$9.05 | \$9.25 | |

FINANCIAL HIGHLIGHTS (CONTINUED)

| CLASS F | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Fund's Net Assets Per Unit (a) | 2018 | 2017 | 2016 | 2015 | 2014 |
| Net assets – beginning of year | \$12.42 | \$11.84 | \$12.01 | \$12.43 | \$11.92 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.07 | 0.10 | 0.46 | 0.10 | 0.06 |
| Total expenses | (0.17) | (0.17) | (0.16) | (0.18) | (0.17) |
| Realized gains (losses) | 1.76 | 2.14 | (0.55) | 0.14 | 0.05 |
| Unrealized gains (losses) | (2.25) | (0.13) | (0.45) | 0.16 | 0.51 |
| Total increase (decrease) from operations (b) | (0.59) | 1.94 | (0.70) | 0.22 | 0.45 |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.95) | - | (0.18) | - | - |
| From dividends | (0.01) | - | (0.03) | - | - |
| From capital gains | (0.73) | (1.34) | - | (0.68) | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions (b), (c) | (1.68) | (1.34) | (0.21) | (0.68) | - |
| Net assets – end of year | \$10.01 | \$12.42 | \$11.84 | \$12.01 | \$12.43 |
| Ratios and Supplemental Data | | | | | |
| Total net asset value (\$000s) (a) | \$4,241 | \$4,765 | \$4,457 | \$9,473 | \$10,559 |
| Number of units outstanding (a) | 423,514 | 383,551 | 376,605 | 788,874 | 849,570 |
| Management expense ratio (d) | 1.35% | 1.35% | 1.35% | 1.35% | 1.35% |
| Management expense ratio before absorptions (e) | 1.35% | 1.35% | 1.35% | 1.35% | 1.35% |
| Trading expense ratio (f) | 0.05% | 0.04% | 0.03% | 0.04% | 0.03% |
| Portfolio turnover rate (g) | 50.44% | 38.30% | 40.36% | 43.62% | 26.46% |
| Net asset value per unit (a) | \$10.01 | \$12.42 | \$11.84 | \$12.01 | \$12.43 |

| CLASS H | | | | | |
|--|---------------|---------------|---------------|----------------|----------------|
| Fund's Net Assets Per Unit (a) | 2018 | 2017 | 2016 | 2015 | 2014 |
| Net assets – beginning of year | \$9.95 | \$9.70 | \$10.00 | \$10.32 | \$10.00 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.05 | 0.07 | 0.39 | 0.08 | 0.06 |
| Total expenses | (0.23) | (0.16) | (0.21) | (0.24) | (0.12) |
| Realized gains (losses) | 1.42 | 1.75 | (0.46) | 0.12 | 0.04 |
| Unrealized gains (losses) | (1.78) | (0.14) | 0.12 | 0.17 | 0.34 |
| Total increase (decrease) from operations (b) | (0.54) | 1.52 | (0.16) | 0.13 | 0.32 |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.64) | - | (0.25) | - | - |
| From dividends | (0.01) | - | (0.02) | - | - |
| From capital gains | (0.58) | (1.25) | - | (0.57) | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions (b), (c) | (1.23) | (1.25) | (0.27) | (0.57) | - |
| Net assets – end of year | \$8.09 | \$9.95 | \$9.70 | \$10.00 | \$10.32 |
| Ratios and Supplemental Data | | | | | |
| Total net asset value (\$000s) (a) | \$318 | \$353 | \$211 | \$103 | \$5 |
| Number of units outstanding (a) | 39,336 | 35,431 | 21,747 | 10,252 | 500 |
| Management expense ratio (d) | 2.05% | 2.05% | 2.13% | 2.20% | 2.20% |
| Management expense ratio before absorptions (e) | 2.05% | 2.05% | 2.13% | 2.20% | 2.20% |
| Trading expense ratio (f) | 0.05% | 0.04% | 0.03% | 0.04% | 0.03% |
| Portfolio turnover rate (g) | 50.44% | 38.30% | 40.36% | 43.62% | 26.46% |
| Net asset value per unit (a) | \$8.09 | \$9.95 | \$9.70 | \$10.00 | \$10.32 |

FINANCIAL HIGHLIGHTS (CONTINUED)

| CLASS I | | | | | |
|--|---------------|----------------|----------------|----------------|----------------|
| Fund's Net Assets Per Unit (a) | 2018 | 2017 | 2016 | 2015 | 2014 |
| Net assets – beginning of year | \$9.99 | \$9.71 | \$9.91 | \$10.38 | \$10.00 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.06 | 0.08 | 0.40 | 0.08 | 0.06 |
| Total expenses | (0.14) | (0.09) | (0.12) | (0.13) | (0.07) |
| Realized gains (losses) | 1.42 | 1.75 | (0.46) | 0.12 | 0.04 |
| Unrealized gains (losses) | (2.38) | 0.17 | 0.21 | (0.20) | 0.35 |
| Total increase (decrease) from operations (b) | (1.04) | 1.91 | 0.03 | (0.14) | 0.38 |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.78) | - | (0.23) | - | - |
| From dividends | (0.01) | - | (0.02) | - | - |
| From capital gains | (0.58) | (1.32) | - | (1.22) | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions (b), (c) | (1.37) | (1.32) | (0.25) | (1.22) | - |
| Net assets – end of year | \$8.05 | \$9.99 | \$9.71 | \$9.91 | \$10.38 |
| Ratios and Supplemental Data | | | | | |
| Total net asset value (\$000s) (a) | \$231 | \$283 | \$230 | \$234 | \$5 |
| Number of units outstanding (a) | 28,660 | 28,360 | 23,647 | 23,601 | 500 |
| Management expense ratio (d) | 1.20% | 1.20% | 1.20% | 1.20% | 1.20% |
| Management expense ratio before absorptions (e) | 1.20% | 1.20% | 1.20% | 1.20% | 1.20% |
| Trading expense ratio (f) | 0.05% | 0.04% | 0.03% | 0.04% | 0.03% |
| Portfolio turnover rate (g) | 50.44% | 38.30% | 40.36% | 43.62% | 26.46% |
| Net asset value per unit (a) | \$8.05 | \$9.99 | \$9.71 | \$9.91 | \$10.38 |
| CLASS O | | | | | |
| Fund's Net Assets Per Unit (a) | 2018 | 2017 | 2016 | 2015 | 2014 |
| Net assets – beginning of year | \$10.39 | \$10.03 | \$10.22 | \$10.59 | \$10.00 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.06 | 0.08 | 0.41 | 0.09 | 0.06 |
| Total expenses | (0.01) | - | - | - | - |
| Realized gains (losses) | 1.48 | 1.82 | (0.48) | 0.12 | 0.04 |
| Unrealized gains (losses) | (1.92) | (0.15) | 1.12 | 0.16 | 0.35 |
| Total increase (decrease) from operations (b) | (0.39) | 1.75 | 1.05 | 0.36 | 0.45 |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.95) | (0.06) | (0.35) | - | - |
| From dividends | (0.01) | (0.02) | (0.03) | - | - |
| From capital gains | (0.61) | (1.34) | - | (0.83) | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions (b), (c) | (1.58) | (1.42) | (0.38) | (0.83) | - |
| Net assets – end of year | \$8.34 | \$10.39 | \$10.03 | \$10.22 | \$10.59 |
| Ratios and Supplemental Data | | | | | |
| Total net asset value (\$000s) (a) | \$4,284 | \$4,701 | \$4,209 | \$1,154 | \$1,113 |
| Number of units outstanding (a) | 513,748 | 452,379 | 419,774 | 112,921 | 105,174 |
| 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% | 0.04% | 0.03% | 0.04% | 0.03% |
| Portfolio turnover rate (g) | 50.44% | 38.30% | 40.36% | 43.62% | 26.46% |
| Net asset value per unit (a) | \$8.34 | \$10.39 | \$10.03 | \$10.22 | \$10.59 |

FINANCIAL HIGHLIGHTS (CONTINUED)

| CLASS A (USD) | | | | | |
|--|---------------|----------------|----------------|----------------|----------------|
| Fund's Net Assets Per Unit (a) | 2018 | 2017 | 2016 | 2015 | 2014 |
| Net assets – beginning of year | \$12.32 | \$11.52 | \$11.78 | \$12.02 | \$11.61 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.07 | 0.08 | 0.45 | 0.10 | 0.06 |
| Total expenses | (0.31) | (0.30) | (0.27) | (0.31) | (0.29) |
| Realized gains (losses) | 1.74 | 2.08 | (0.54) | 0.14 | 0.04 |
| Unrealized gains (losses) | (2.25) | (0.02) | 0.23 | 0.23 | 0.27 |
| Total increase (decrease) from operations (b) | (0.75) | 1.84 | (0.13) | 0.16 | 0.08 |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.59) | - | (0.13) | - | - |
| From dividends | (0.01) | - | (0.03) | - | - |
| From capital gains | (0.52) | (0.95) | - | (0.43) | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions (b), (c) | (1.13) | (0.95) | (0.16) | (0.43) | - |
| Net assets – end of year | \$9.97 | \$12.32 | \$11.52 | \$11.78 | \$12.02 |
| Ratios and Supplemental Data | | | | | |
| Total net asset value (\$000s) (a) | \$580 | \$655 | \$676 | \$727 | \$894 |
| Number of units outstanding (a) | 58,144 | 53,195 | 58,619 | 61,773 | 74,439 |
| Management expense ratio (d) | 2.35% | 2.35% | 2.40% | 2.45% | 2.45% |
| Management expense ratio before absorptions (e) | 2.35% | 2.35% | 2.40% | 2.45% | 2.45% |
| Trading expense ratio (f) | 0.05% | 0.04% | 0.03% | 0.04% | 0.03% |
| Portfolio turnover rate (g) | 50.44% | 38.30% | 40.36% | 43.62% | 26.46% |
| Net asset value per unit (a) | \$9.97 | \$12.32 | \$11.52 | \$11.78 | \$12.02 |

| CLASS F (USD) | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Fund's Net Assets Per Unit (a) | 2018 | 2017 | 2016 | 2015 | 2014 |
| Net assets – beginning of year | \$12.25 | \$11.71 | \$11.90 | \$12.19 | \$11.65 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.07 | 0.08 | 0.47 | 0.10 | 0.06 |
| Total expenses | (0.16) | (0.14) | (0.16) | (0.17) | (0.16) |
| Realized gains (losses) | 1.77 | 2.12 | (0.55) | 0.14 | 0.05 |
| Unrealized gains (losses) | (1.98) | (0.24) | (0.03) | 0.12 | 0.39 |
| Total increase (decrease) from operations (b) | (0.31) | 1.82 | (0.27) | 0.18 | 0.34 |
| Distributions: | | | | | |
| From income (excluding dividends) | (0.57) | - | (0.21) | - | - |
| From dividends | (0.01) | - | (0.03) | - | - |
| From capital gains | (0.53) | (1.36) | - | (0.43) | - |
| Return of capital | - | - | - | - | - |
| Total annual distributions (b), (c) | (1.10) | (1.36) | (0.24) | (0.43) | - |
| Net assets – end of year | \$10.04 | \$12.25 | \$11.71 | \$11.90 | \$12.19 |
| Ratios and Supplemental Data | | | | | |
| Total net asset value (\$000s) (a) | \$295 | \$639 | \$564 | \$906 | \$1,502 |
| Number of units outstanding (a) | 29,410 | 52,147 | 48,204 | 76,066 | 123,238 |
| Management expense ratio (d) | 1.35% | 1.35% | 1.35% | 1.35% | 1.35% |
| Management expense ratio before absorptions (e) | 1.35% | 1.35% | 1.35% | 1.35% | 1.35% |
| Trading expense ratio (f) | 0.05% | 0.04% | 0.03% | 0.04% | 0.03% |
| Portfolio turnover rate (g) | 50.44% | 38.30% | 40.36% | 43.62% | 26.46% |
| Net asset value per unit (a) | \$10.04 | \$12.25 | \$11.71 | \$11.90 | \$12.19 |

FINANCIAL HIGHLIGHTS (CONTINUED)**Footnotes:**

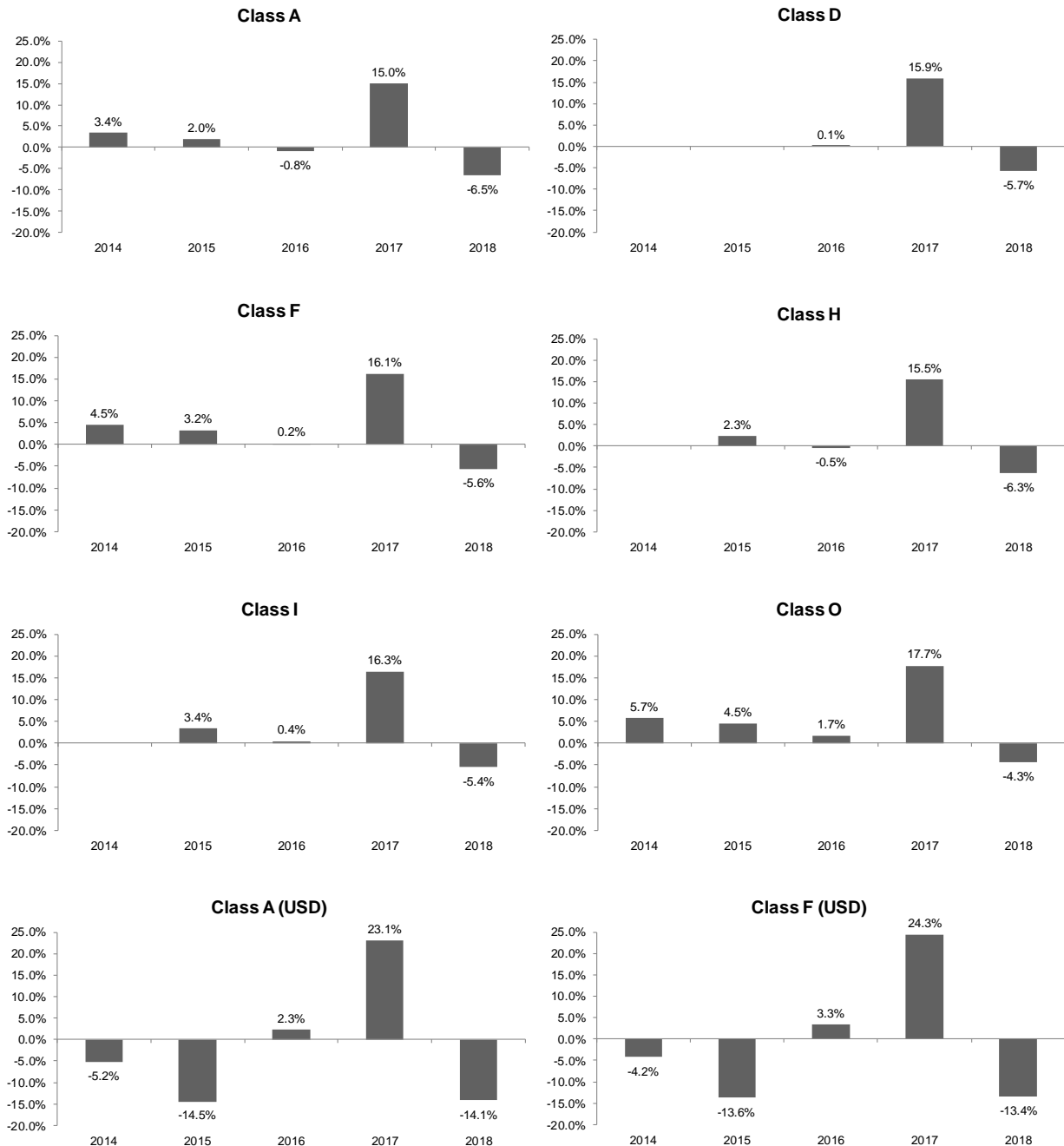
- (a) This information is derived from the Fund's audited annual financial statements as at December 31 for the year stated, prepared under International Financial Reporting Standards.
- (b) Net assets per unit and distributions per unit are based on the actual number of units for the relevant Fund class 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 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 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-based benchmark is S&P 500 Index. The S&P 500 includes 500 leading companies listed on the NASDAQ and NYSE and captures approximately 80% coverage of available market capitalization. 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.

| | One Year | Three Year | Five Year | Since Inception | Inception Date |
|-----------------|---------------------|-----------------------|----------------------|----------------------------|---------------------------|
| Class A | -6.5% | 2.2% | 2.4% | 5.4% | 06/28/2013 |
| Benchmark | 4.1% | 8.8% | 14.1% | 16.0% | |
| Class D | -5.7% | 3.0% | - | 2.6% | 06/30/2015 |
| Benchmark | 4.1% | 8.8% | - | 10.7% | |
| Class F | -5.6% | 3.2% | 3.4% | 6.4% | 06/28/2013 |
| Benchmark | 4.1% | 8.8% | 14.1% | 16.0% | |
| Class H | -6.3% | 2.5% | - | 2.9% | 06/30/2014 |
| Benchmark | 4.1% | 8.8% | - | 13.9% | |
| Class I | -5.4% | 3.4% | - | 3.8% | 06/30/2014 |
| Benchmark | 4.1% | 8.8% | - | 13.9% | |
| Class O | -4.3% | 4.6% | 4.8% | 4.8% | 12/31/2013 |
| Benchmark | 4.1% | 8.8% | 14.1% | 14.0% | |
| Class A (USD) | -14.1% | 2.6% | -2.6% | -0.8% | 08/30/2013 |
| Benchmark (USD) | -4.3% | 9.3% | 8.5% | 10.6% | |
| Class F (USD) | -13.4% | 3.6% | -1.6% | 0.2% | 08/30/2013 |
| Benchmark (USD) | -4.3% | 9.3% | 8.5% | 10.6% | |

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

Summary of Top 25 Holdings

| | % of Net Assets |
|---|-----------------|
| TripAdvisor, Inc. | 11.5 |
| Platform Specialty Products Corporation | 11.1 |
| The Middleby Corporation | 10.6 |
| JD.com, Inc., ADR | 8.9 |
| Baidu, Inc., ADR | 8.8 |
| Liberty Latin America Ltd. | 8.8 |
| The Howard Hughes Corporation | 6.0 |
| Colfax Corporation | 5.7 |
| Liberty Broadband Corporation | 5.5 |
| Zillow Group, Inc. | 4.4 |
| Brookfield Asset Management Inc. | 3.3 |
| GCI Liberty, Inc. | 2.5 |
| FRMO Corporation | 2.2 |
| KKR & Co. Inc. | 2.0 |
| Microchip Technology Incorporated | 2.0 |
| Wynn Resorts, Limited | 2.0 |
| Despegar.com, Corp. | 1.8 |
| Yatra Online, Inc. | 1.8 |
| Navios Maritime Holdings Inc. | 1.0 |

Summary of Composition of the Portfolio

| | % of Net Assets |
|-------------------------------|-----------------|
| Equities: | |
| Communication services | 41.4 |
| Industrials | 17.3 |
| Consumer discretionary | 14.5 |
| Materials | 11.1 |
| Diversified financials | 7.6 |
| Real estate | 6.0 |
| Information technology | 2.0 |
| Total investments | 99.9 |
| Cash | 0.2 |
| Other assets less liabilities | (0.1) |
| Total net assets | 100.0 |

Caution Regarding Forward-Looking Statements

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

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

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

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

PENDER

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