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March 8, 2019

Dear Unitholder,

The Independent Review Committee (“IRC”) of the Pender Mutual Funds (the “Funds”) is pleased to provide its annual report for the period ended December 31, 2018 as required by National Instrument 81 - 107 Independent Review Committee for Investment Funds.

Your IRC has a mandate to review conflict of interest matters identified and referred to the IRC by PenderFund Capital Management (“Manager”) in respect of the Funds and to give its approval or recommendation, depending on the nature of the conflict of interest matter.

A "conflict of interest matter" is a situation where a reasonable person would consider the Manager or an entity related to the Manager to have an interest that may conflict with the Manager's ability to act in good faith and in the best interests of the Funds. In each instance where a conflict of interest matter is identified and referred to the IRC, the focus of the IRC is to determine if the Manager's proposed action achieves a fair and reasonable result for the Funds.

At least annually, the IRC also reviews and assesses the adequacy and effectiveness of the Manager's policies in respect of the Funds and conducts a self-assessment of the IRC's independence, compensation and effectiveness.

The IRC's duties and functions are distinct from those of the Manager's Board.

The members of the IRC, whose identities are listed in the report, bring to their duties a wide range of business experience.

Yours Very Truly,

Kerry Ho

Chair of the Independent Review Committee

**PENDER MUTUAL FUNDS
INDEPENDENT REVIEW COMMITTEE
ANNUAL REPORT TO SECURITYHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Introduction

The following report describes the Independent Review Committee (the “IRC”) of the Pender Mutual Funds (the “Funds”) managed by PenderFund Capital Management Ltd. (“Manager”) and its related activities for the year ended December 31, 2018.

The Funds are the follows:

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

Membership and Composition

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

The following individuals are the members of the IRC as at December 31, 2018. There were no changes to the composition or membership of the IRC during the year.

<u>Name</u>	<u>Length of Service</u>	<u>Other IRC Memberships</u>
Kerry Ho (Chair)	Member since February 11, 2014; chair since March 7, 2017	None
John Webster	Since October 27, 2015	None
Robin Mahood	Since March 7, 2017	None

Share Ownership

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

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

is none in all cases.

Compensation

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

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

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

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

For the year ended December 31, 2018, a total of \$19,250 was paid by the Funds to the IRC, amounts that were reimbursed by the Manager to the Fund. No amounts were paid to the IRC members by the Funds under indemnities in their favour.

Activities, Reviews and Approvals

During the year ended December 31, 2018, the Manager informed the IRC that it relied on positive recommendations and standing instructions granted by the IRC relating to conflict of interest matters. The standing instructions require the Manager to follow its policies and procedures related to the applicable conflict of interest matters in all material respects and to report to the IRC. In certain cases, prior approval of the IRC is required.

Certificate

For the year ended December 31, 2018:

- a) There were no instances of proposed actions involving a conflict of interest matter or potential conflict of interest matter that were referred to the IRC by the Manager for consideration, other than in accordance with the Standing Instructions as approved by the IRC on May 7, 2009 and amended on October 21, 2010, January 27, 2011, October 9, 2012 and February 12, 2013, February 11, 2014, December 16, 2014, December 11, 2017 and February 28, 2018; and
- b) The IRC is not aware of any instances where the Manager was involved in a conflict of interest matter.

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

Kerry Ho

Vancouver, British Columbia
March 8, 2019

Kerry Ho
Chair of the Independent Review Committee

PENDER

Forward thinking. Finding value.