

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Pender Small Cap Opportunities Fund

Six months ended June 30, 2019

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 interim Management Report of Fund Performance contains financial highlights but does not contain either the interim financial statements or annual financial statements of the investment fund. You may obtain a copy of the interim financial statements or 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 (effective September 1, 2019, at 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2) 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

Results of Operations

The net assets of the Pender Small Cap Opportunities Fund (the "Fund") as at June 30, 2019 increased overall to \$197,820,911 from \$158,394,411 as at December 31, 2018. Of this \$39,426,500 increase, \$23,026,258 was attributable to investment performance and \$16,400,242 s attributable to net unitholder purchases (net of redemptions) of the Fund.

For the six months ended June 30, 2019 (the "period"), Class A units of the Fund generated a total return of 14.8%. 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 S&P/TSX Composite Index, returned 16.2% during the period. 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 period. 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 primarily due to stock selection in the Health Care sector. 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 business is higher than the current share price.

Key positive contributors to the Fund's performance for the period included Real Matters Inc., Transat A. T. Inc., and Solium Inc. (acquired by Morgan Stanley). Conversely, Indigo Books & Music Inc., Athabasca Oil Corporation, and AgJunction Inc. had the largest adverse impact.

Portfolio transactions during the period 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 in the period included Maxar Technologies Inc., Carbonite, Inc., and MAV Beauty Brands 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, and when we have changed our investment thesis. During the period, we sold Knight Therapeutics Inc., Brick Brewing Co, Limited, and PHI, Inc., for example, and three companies we held were acquired by third parties: Solium Inc., Espial Group Inc., and BSM Technologies Inc..

As at the end of the period, the Fund was 82.4% invested in Canadian securities and 13.1% in securities from the US and other countries. The Fund held a cash position of 4.3% up from 1.0% at December 31, 2018, and the remaining 0.2% of the Fund comprised other assets and liabilities. The Fund's investment portfolio is concentrated and not diversified in the conventional sense. The Fund's top 10 holdings account for 31.0% of the Fund's net assets at the end of the period. This concentration may lead to varied results over any given period.

Overall sector exposure of the Fund is determined by stock selection decisions and may shift from time to time. As at June 30, 2019 we were weighted toward holdings in Information Technology, Consumer Discretionary, and Energy because those sectors are where we believe we are currently finding the best investment opportunities and, equally important, because they contain businesses for which we are best equipped to assess value. These top three sectors accounted for 57.9% of the Fund at the end of the period.

Recent Developments

Global stock markets rebounded and returned to a more normal state as most markets posted double-digit gains for the first half of 2019 following a dismal 2018. The market's decline in 2018 and subsequent rebound in 2019 was driven almost entirely by investor sentiment and psychology. Corporate earnings continue to march higher during this period of stock market volatility, albeit at a slower pace, but changes in investor moods tend to have an outsized impact on stock prices over the short term. Headline stories on US China trade wars and concerns on monetary policy lead to growing fears over recession.

When we look at it probabilistically, we can see scenarios where stock prices continue to increase and scenarios where stock prices fall. The Fund has invested in the small cap world where we have not seen a broad-based rebound. As of June 30th, 2019, small cap indexes such as Russell 2000 were still down from a year ago. We continue to believe small cap stocks in aggregate are more compelling than large caps, as market inefficiency allows us to find undervalued or mispriced companies. On top of that, small cap companies can have growth rates well above that of the general economy and may have many years of such growth ahead of them when they are in the early innings. Finally, we look at uncovered parts of the market, including special situations, where selloffs are not always as dramatic as they are for large caps in a downturn.

Historically we have also used cash as a strategic asset class – that is to say, we keep cash on hand to take advantage of price drops in stocks that we like. We have deployed cash when markets correct, because the opportunity sets widen and bargain prices in companies that we understand become more available. Following the market correction in December 2018, we were close to fully invested and cash remained at low single digit weighting at the end of period.

Since inception, the Fund's investment strategy has been to estimate the intrinsic value of a company, and to buy its stock when it trades at a significant discount to that estimate. Our investment strategy requires rigorous in-depth valuation analysis. We dig deep when we look into a potential holding and we maintain an understanding of the key factors affecting our investment thesis after we buy a stock. We believe our deep diligence gives us an advantage and allows us to find opportunities ahead of the market and to position ourselves to take advantage of future potential increases in a stock's value.

As we run a concentrated investment portfolio, we only need to hold a relatively small number of great companies acquired at a good price to drive the performance of the Fund. We will continue to look for best ideas that trade at significant discounts to intrinsic values.

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 period, parties related to the Manager collectively held 1% of the Fund's units, and the Pender Strategic Growth and Income Fund, a fund also managed by the Manager, held less than 1% of 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 25% of the management fees paid by the Fund to the Manager for the period.

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 period and the calendar years indicated.

CLASS A						
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015	2014
Net assets – beginning of period	\$22.77	\$26.88	\$25.88	\$22.05	\$22.69	\$19.38
Increase (decrease) from operations:						
Total revenue	0.23	0.41	0.37	0.34	0.26	0.21
Total expenses	(0.34)	(0.71)	(0.72)	(0.62)	(0.66)	(0.58)
Realized gains (losses)	0.96	2.05	3.19	3.19	2.54	3.67
Unrealized gains (losses)	2.29	(5.68)	(0.60)	2.64	(0.53)	1.09
Total increase (decrease) from operations (b)	3.14	(3.93)	2.24	5.55	1.61	4.39
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	(1.18)	(1.90)	(2.15)	(1.16)
Return of capital	-	-	-	-	-	-
Total annual distributions (b), (c)	-	-	(1.18)	(1.90)	(2.15)	(1.16)
Net assets – end of period	\$25.80	\$22.77	\$26.88	\$25.88	\$22.05	\$22.69
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$31,670	\$30,867	\$43,407	\$47,224	\$43,781	\$39,280
Number of units outstanding (a)	1,227,569	1,355,612	1,615,045	1,824,936	1,985,574	1,731,465
Management expense ratio (d)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Management expense ratio before absorptions (e)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Trading expense ratio (f)	0.28%	0.20%	0.13%	0.09%	0.17%	0.29%
Portfolio turnover rate (g)	27.98%	53.86%	41.54%	28.17%	35.12%	52.23%
Net asset value per unit (a)	\$25.80	\$22.77	\$26.88	\$25.88	\$22.05	\$22.69
CLASS B						
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015	2014
Net assets – beginning of period	\$8.59	\$10.00				
Increase (decrease) from operations:						
Total revenue	0.09	0.13				
Total expenses	(0.13)	(0.11)				
Realized gains (losses)	0.40	0.64				
Unrealized gains (losses)	0.35	(1.37)				
Total increase (decrease) from operations (b)	0.71	(0.71)				
Distributions:						
From income (excluding dividends)	-	-				
From dividends	-	-				
From capital gains	-	-				
Return of capital	-	-				
Total annual distributions (b), (c)	-	-				
Net assets – end of period	\$9.73	\$8.59				
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$5,283	\$735				
Number of units outstanding (a)	542,926	85,600				
Management expense ratio (d)	2.50%	2.50%				
Management expense ratio before absorptions (e)	2.50%	2.50%				
Trading expense ratio (f)	0.28%	0.20%				
Portfolio turnover rate (g)	27.98%	53.86%				
Net asset value per unit (a)	\$9.73	\$8.59				

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS F						
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015	2014
Net assets – beginning of period	\$22.75	\$26.53	\$25.72	\$22.20	\$23.08	\$19.81
Increase (decrease) from operations:						
Total revenue	0.23	0.41	0.37	0.34	0.27	0.22
Total expenses	(0.20)	(0.41)	(0.40)	(0.38)	(0.42)	(0.39)
Realized gains (losses)	0.97	2.04	3.19	3.22	2.60	3.79
Unrealized gains (losses)	2.29	(5.62)	(0.70)	2.62	(0.64)	1.58
Total increase (decrease) from operations (b)	3.29	(3.58)	2.46	5.80	1.81	5.20
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	(1.61)	(2.48)	(2.77)	(1.69)
Return of capital	-	-	-	-	-	-
Total annual distributions (b), (c)	-	-	(1.61)	(2.48)	(2.77)	(1.69)
Net assets – end of period	\$25.90	\$22.75	\$26.53	\$25.72	\$22.20	\$23.08
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$76,076	\$74,395	\$97,266	\$83,272	\$74,553	\$58,754
Number of units outstanding (a)	2,936,771	3,270,076	3,665,716	3,237,397	3,358,822	2,545,318
Management expense ratio (d)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Management expense ratio before absorptions (e)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Trading expense ratio (f)	0.28%	0.20%	0.13%	0.09%	0.17%	0.29%
Portfolio turnover rate (g)	27.98%	53.86%	41.54%	28.17%	35.12%	52.23%
Net asset value per unit (a)	\$25.90	\$22.75	\$26.53	\$25.72	\$22.20	\$23.08
CLASS G						
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015	2014
Net assets – beginning of period	\$8.64	\$10.00				
Increase (decrease) from operations:						
Total revenue	0.10	0.13				
Total expenses	(0.08)	(0.08)				
Realized gains (losses)	0.42	0.64				
Unrealized gains (losses)	0.21	(3.96)				
Total increase (decrease) from operations (b)	0.65	(3.27)				
Distributions:						
From income (excluding dividends)	-	-				
From dividends	-	-				
From capital gains	-	-				
Return of capital	-	-				
Total annual distributions (b), (c)	-	-				
Net assets – end of period	\$9.84	\$8.64				
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$19,549	\$2,351				
Number of units outstanding (a)	1,986,638	272,032				
Management expense ratio (d)	1.50%	1.50%				
Management expense ratio before absorptions (e)	1.50%	1.50%				
Trading expense ratio (f)	0.28%	0.20%				
Portfolio turnover rate (g)	27.98%	53.86%				
Net asset value per unit (a)	\$9.84	\$8.64				

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS I						
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015	2014
Net assets – beginning of period	\$10.74	\$12.51	\$13.14			
Increase (decrease) from operations:						
Total revenue	0.11	0.19	0.12			
Total expenses	(0.09)	(0.18)	(0.11)			
Realized gains (losses)	0.46	0.96	1.03			
Unrealized gains (losses)	1.00	(3.09)	(0.88)			
Total increase (decrease) from operations (b)	1.48	(2.12)	0.16			
Distributions:	-	-	-			
From income (excluding dividends)	-	-	-			
From dividends	-	-	-			
From capital gains	-	-	(0.77)			
Return of capital	-	-	-			
Total annual distributions (b), (c)	-	-	(0.77)			
Net assets – end of period	\$12.23	\$10.74	\$12.51			
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$12,993	\$10,806	\$5,347			
Number of units outstanding (a)	1,061,941	1,006,376	427,391			
Management expense ratio (d)	1.35%	1.35%	1.35%			
Management expense ratio before absorptions (e)	1.35%	1.35%	1.35%			
Trading expense ratio (f)	0.28%	0.20%	0.13%			
Portfolio turnover rate (g)	27.98%	53.86%	41.54%			
Net asset value per unit (a)	\$12.23	\$10.74	\$12.51			
CLASS N						
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015	2014
Net assets – beginning of period	\$9.94	\$11.55	\$12.15			
Increase (decrease) from operations:						
Total revenue	0.10	0.18	0.11			
Total expenses	(0.07)	(0.13)	(0.08)			
Realized gains (losses)	0.43	0.89	0.95			
Unrealized gains (losses)	0.88	(2.58)	(0.74)			
Total increase (decrease) from operations (b)	1.34	(1.64)	0.24			
Distributions:	-	-	-			
From income (excluding dividends)	-	-	-			
From dividends	-	-	(0.00)			
From capital gains	-	-	(0.77)			
Return of capital	-	-	-			
Total annual distributions (b), (c)	-	-	(0.77)			
Net assets – end of period	\$11.35	\$9.94	\$11.55			
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$44,397	\$32,722	\$36,673			
Number of units outstanding (a)	3,911,547	3,290,720	3,174,979			
Management expense ratio (d)	1.00%	1.00%	1.00%			
Management expense ratio before absorptions (e)	1.00%	1.00%	1.00%			
Trading expense ratio (f)	0.28%	0.20%	0.13%			
Portfolio turnover rate (g)	27.98%	53.86%	41.54%			
Net asset value per unit (a)	\$11.35	\$9.94	\$11.55			

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS O						
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015	2014
Net assets – beginning of period	\$22.60	\$26.02	\$25.15	\$21.78	\$22.42	\$19.50
Increase (decrease) from operations:						
Total revenue	0.23	0.40	0.36	0.33	0.26	0.21
Total expenses	(0.03)	(0.04)	(0.03)	(0.02)	(0.04)	(0.06)
Realized gains (losses)	0.98	2.01	3.13	3.25	2.54	3.69
Unrealized gains (losses)	2.12	(5.58)	(0.81)	4.47	(0.23)	1.13
Total increase (decrease) from operations (b)	3.30	(3.21)	2.65	8.03	2.53	4.97
Distributions:	-	-	-	-	-	-
From income (excluding dividends)	-	-	(0.00)	-	-	-
From dividends	-	-	(0.17)	(0.26)	-	-
From capital gains	-	-	(1.73)	(2.69)	(2.95)	(1.88)
Return of capital	-	-	-	-	-	-
Total annual distributions (b), (c)	-	-	(1.90)	(2.95)	(2.95)	(1.88)
Net assets – end of period	\$25.93	\$22.60	\$26.02	\$25.15	\$21.78	\$22.42
Ratios and Supplemental Data						
Total net asset value (\$000s) (a)	\$7,853	\$6,518	\$6,917	\$5,534	\$1,303	\$1,476
Number of units outstanding (a)	302,870	288,379	265,855	220,062	59,818	65,861
Management expense ratio (d)	0.00%	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%	0.00%
Trading expense ratio (f)	0.28%	0.20%	0.13%	0.09%	0.17%	0.29%
Portfolio turnover rate (g)	27.98%	53.86%	41.54%	28.17%	35.12%	52.23%
Net asset value per unit (a)	\$25.93	\$22.60	\$26.02	\$25.15	\$21.78	\$22.42

Footnotes:

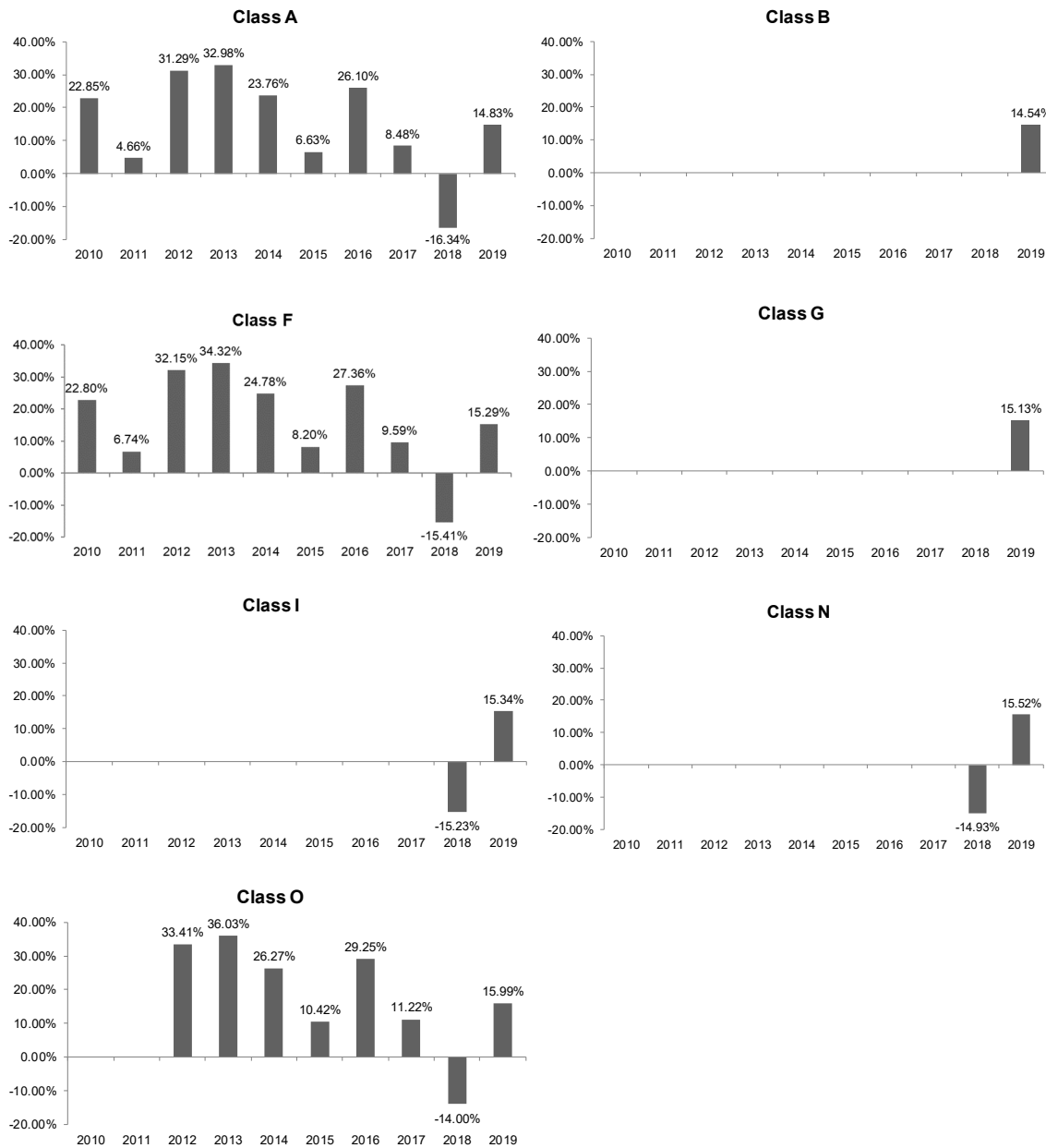
- (a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under International Financial Reporting Standards. Class B and Class G commenced operations on June 25, 2018.
- (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 period.
- (c) Distributions were paid in cash and/or reinvested in additional units of the Fund.
- (d) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the period and is expressed as an annualized percentage of average net asset value during the period. 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, such 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, and 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 period.
- (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 period. In general, the higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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.

Period-by-Period Returns

To illustrate how the Fund's performance has varied over time, the following bar charts show the Fund's performance for the six-month period ended June 30, 2019 and for each of the previous 12-month periods ended December 31. 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 period would have increased or decreased by the last day of the period.



SUMMARY OF INVESTMENT PORTFOLIO

The largest holdings of the Fund as at the end of the period 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
Diversified Royalty Corp.	4.5
Sangoma Technologies Corporation	3.5
TerraVest Industries Inc.	3.3
Maxar Technologies Inc.	3.2
Aritzia Inc.	3.0
Dream Unlimited Corp., Class 'A'	3.0
Medicare Inc.	2.8
Transat A.T. Inc.	2.8
Athabasca Oil Corporation	2.5
Freshii Inc.	2.4
Polaris Infrastructure Inc.	2.4
Carbonite, Inc.	2.3
Chesswood Group Limited	2.3
TeraGo Inc.	2.3
Indigo Books & Music Inc.	2.2
MAV Beauty Brands Inc.	2.2
ProntoForms Corporation	2.2
Model N, Inc.	2.0
Real Matters Inc.	2.0
Sierra Wireless, Inc.	1.9
Maxim Power Corp.	1.8
Asure Software, Inc.	1.7
Points International Ltd.	1.7
Leaf Group Ltd.	1.6
Trilogy International Partners Inc.	1.6

Summary of Composition of the Portfolio

	% of Net Assets
Equities	
Information technology	26.7
Consumer discretionary	21.7
Energy	9.5
Communications services	6.6
Diversified financials	5.4
Utilities	5.1
Industrials	5.0
Health care	4.3
Consumer staples	3.1
Real estate	3.0
Insurance	1.2
Total equities	91.6
Corporate bonds	3.6
Warrants	0.3
Total investments	95.5
Cash	4.3
Other assets less liabilities	0.2
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

MANAGED BY:
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