Commissions, trailing commissions, management fees and expenses all may be associated with investments in Pender Funds. Please read the prospectus before investing. Our funds are not guaranteed, their values change frequently and past performance may not be repeated.

Indicated rates of return are the historical annual compounded total returns including changes in net asset value and assume reinvestment of all distributions and are net of all management and administrative fees, but do not take into account sales, redemption or optional charges or income taxes payable by any security holder that would have reduced returns.

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MUTUAL FUND CUSTODIAN: CIBC Mellon
FIRM COUNSEL: Bennett Jones LLP
FUND COUNSEL: Lawson Lundell LLP
FIRM AUDITORS: Manning Elliot LLP
FUND AUDITORS: KPMG LLP

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WHO WE ARE

Independent Investment Manager with a Suite of Funds:

- Founded in 2003; prospectus-based funds since June 2009.
- We manage a suite of niche investment funds, focused on inefficient parts of the market, with concentrated portfolios of value-based investments.
- We have a talented investment team of expert analysts, security selectors and independent thinkers.
- We are employee-owned and invest in our funds alongside clients.
Our goal is to protect and grow wealth for our investors over time.
The PenderFund Capital Management Platform

Successful Investing Discipline – since 2003

<table>
<thead>
<tr>
<th>PUBLIC EQUITY</th>
<th>FIXED INCOME</th>
<th>PRIVATE EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Indexed Equity, Value-Driven</td>
<td>Corporate Credit Income Opportunities</td>
<td>Inflection-Stage Growth Capital</td>
</tr>
<tr>
<td>Pender Partners Fund</td>
<td>Pender Bond Universe Fund</td>
<td>Pender Growth Fund</td>
</tr>
<tr>
<td>Pender Small Cap Opps Fund</td>
<td>Pender Corporate Bond Fund</td>
<td>Pender Tech Inflection Fund</td>
</tr>
<tr>
<td>Pender Small/Mid Cap Dividend Fund</td>
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<tr>
<td>Pender US All Cap Equity Fund</td>
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<tr>
<td>Pender Value Fund</td>
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<tr>
<td>Pender Value Fund II</td>
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<tr>
<td>BALANCED</td>
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<tr>
<td>Pender Enhanced Income Fund</td>
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</tr>
<tr>
<td>Pender Strategic Growth &amp; Income Fund</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Growing team of dedicated professionals

Forward thinking. Finding value.
OUR INVESTMENT TEAM

**PUBLIC EQUITY**

- **DAVID BARR, CFA**
  - President & Portfolio Manager
  - Investing since 2000
  - Micro to mid cap focus
  - Technology and special situations specialist
  - Joined Pender in 2003

- **FELIX NARHI, CFA**
  - Chief Investment Officer & Portfolio Manager
  - Investing since 1999
  - Small to large cap focus
  - Senior equity analyst experience
  - Joined Pender in 2013

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- **FELIX NARHI, CFA**
  - Chief Investment Officer & Portfolio Manager
  - Investing since 1999
  - Small to large cap focus
  - Senior equity analyst experience
  - Joined Pender in 2013

- **MARIA PACELLA, CFA**
  - Senior VP, Private Equity & Portfolio Manager
  - Investing since 2001
  - Emerging growth company specialist
  - Operational, M&A and board experience
  - Joined Pender in 2017

- **GEOFF CASTLE**
  - Portfolio Manager
  - Investing since 2000
  - Public and proprietary portfolio management
  - Experienced credit analyst
  - Cross capital structure expertise
  - Joined Pender in 2015

- **DON WALKER, CFA**
  - Portfolio Manager
  - Investing since 2004
  - Micro to mid cap equity focus
  - Equity income specialist
  - Joined Pender in 2019

- **SHARON WANG**
  - Senior Investment Analyst
  - Investing since 2007
  - Small cap specialist
  - Sell-side equity analyst experience
  - Completed CFA Program
  - Joined Pender in 2018

- **AMAR PANDYA, CFA**
  - Senior Investment Analyst
  - Investing since 2017
  - Small to large cap focus in North American equities
  - Joined Pender in 2017

- **TRACY TIDY, CFA**
  - Investment Analyst
  - Investing since 2006
  - Small to mid cap focus
  - Joined Pender in 2019

- **VICTORIA ZHANG**
  - Investment Analyst
  - Portfolio and investment analytics
  - Completed CFA program
  - Joined Pender in 2017

**PRIVATE EQUITY**

- **ROLF DEKLEER, MA, MBA**
  - Vice President, Private Equity
  - Investing since 2000
  - Venture capital investment specialist
  - Emerging tech and board experience
  - Joined Pender in 2019

- **TONY RAUTAVA**
  - Investment Associate, Private Equity
  - Investing since 2005
  - Venture capital investment specialist
  - Finance, board and fund operations experience
  - Joined Pender in 2019

- **KENNADAL MCARDLE, CFA**
  - Investment Associate, Private Equity
  - Investing since 2014
  - Emerging growth investment specialist
  - Technology and healthcare investing experience
  - Joined Pender in 2014

- **AMAR PANDYA, CFA**
  - Senior Investment Analyst
  - Investing since 2017
  - Small to large cap focus in North American equities
  - Joined Pender in 2017

- **EMILY WHEELER, CFA**
  - Associate Portfolio Manager
  - Investing since 2004
  - Fixed income focus
  - Equity and alternative strategies experience
  - Joined Pender in 2019

- **SHARON WANG**
  - Senior Investment Analyst
  - Investing since 2007
  - Small cap specialist
  - Sell-side equity analyst experience
  - Completed CFA Program
  - Joined Pender in 2018

- **TRAVERS HARDY, CFA**
  - Investment Analyst
  - Portfolio and investment analytics
  - Completed CFA program
  - Joined Pender in 2017
OUR INVESTMENT PHILOSOPHY

We seek to:

- Understand the quality of a business or security.
- Obtain more value than we are paying for.
- Deploy capital in flexible mandates.
- Mitigate downside risk.
# The Pender Investment Process

<table>
<thead>
<tr>
<th>IDEA GENERATION</th>
<th>Narrow the investment universe.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECURITY ANALYSIS</td>
<td>What to buy and when to sell with price-to-value considerations.</td>
</tr>
<tr>
<td>PENDER FILTERS</td>
<td>Risk-adjusted sizing for individual ideas.</td>
</tr>
<tr>
<td>PORTFOLIO MANAGEMENT</td>
<td>Determine optimal weight <em>relative</em> to other potential ideas depending on the Fund mandate.</td>
</tr>
</tbody>
</table>
IDEA GENERATION

Main Sources of Investment Ideas at Pender

- **Recycling** previous ideas and leveraging competence.
- **Reading**, reading (and more reading).
- **Cloning** ideas from like-minded investors.
- **Investigating** sectors with extreme pessimism.
- **Meeting** with management teams.
- **Screening**
- **Researching** third-party and sell-side.
SECURITY ANALYSIS

What is Our Edge?

Analytical
- Assessing information and data differently than other participants.
- Under followed, unloved or misunderstood equals opportunity.

Behavioural
- Be patient and self-aware of psychological biases.
- Be greedy when others are fearful and fearful when others are greedy.

Organizational
- Fewer restrictions on our portfolios or handcuffs on managers.
- We are small and nimble market participants which allows us to take advantage of unique or limited opportunities.
SECURITY ANALYSIS

*Fundamental / Business Analysis*

### Quality of the Business

- Track record.
- Moats & sustainable competitive advantages.
- Returns on capital and reinvestment opportunities.
- "Scuttlebutt"\(^1\) approach: What do its network of competitors, suppliers, management, employees and real customers say about the business?

### Management Team

- Track record, ability, motivation and alignment.
- Under promising and over delivering.

---

SECURITY ANALYSIS

A “Scuttlebutt” Approach to Investing

- “Scuttlebutt” research & due diligence.
- Work with investee companies.
- Drive a liquidity event or exit.

- Buy $1 of value for 50¢
**SECURITY ANALYSIS**

*Valuation Analysis – A Probabilistic Framework*

*Buy, sell or hold based on stock price relative to estimated range of “intrinsic value”.*

<table>
<thead>
<tr>
<th>Quantitative</th>
<th>LIQUIDATION VALUE</th>
<th>What is the wind up value?</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRIVATE MARKET VALUATION</td>
<td>What is the potential value to a 3rd party or strategic buyer?</td>
<td></td>
</tr>
<tr>
<td>DISCOUNTED CASH FLOW</td>
<td>What are the future cash flows worth?</td>
<td></td>
</tr>
<tr>
<td>Qualitative</td>
<td>PREDICTIVE ATTRIBUTES</td>
<td>Does the security have attributes that investors tend to systemically undervalue?</td>
</tr>
</tbody>
</table>
SECURITY ANALYSIS

*Think More, Calculate Less*

“Everything that can be counted does not necessarily count: everything that counts cannot necessarily be counted.”

— Albert Einstein

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SECURITY ANALYSIS

Why “Predictive Attributes”? Forward thinking. Finding value.

- **Dynamic, unconventional thinking** to obtain an edge.
- Attributes **systemically** undervalued by the market.
- Backed by **empirical data** and/or **our experience** which have a track record of enhancing returns over time.
- Usually **verifiable**, but not always readily **quantifiable**.
- More predictive attributes = the greater the odds of success.
We believe predictive attributes are systemic anomalies in the market, as evidenced by empirical data and or our experience, which have a track record of enhancing returns over time.

Caveat: Predictive attributes are probabilistic only.
SECURITY ANALYSIS

Predictive Attribute 1 – Founder-Led Firms Tend to Outperform

Founder-Led Companies 3X Outperformance vs. Professional CEO-Run Firms (1990-2014)

Based on an analysis of S&P 500 firms in 2014

Source: Bain & Company
SECURITY ANALYSIS

The Sell Discipline

Valuation: In our opinion, the stock price is now fair to over valued.

The Switch: While the stock remains a good idea, we have uncovered a “better idea” that is more attractively valued and/or shows greater potential. We switch out of one idea to upgrade the overall investment portfolio.

Facts Change or Thesis is Impaired: The facts change and this new information, when applied to our thesis, has a negative impact on intrinsic value and outlook. The business is evolving along a contrary path to our thesis and we sell before further value is eroded.
PENDER FILTERS

Circle of Competence – Own What You Know

Circle of Competence

The knowledge base you have developed, over and above your competition, in parts of the market where you concentrate your efforts and have an **analytical** or **behavioural** edge.
All investment evaluations should begin by measuring risk.
— Charlie Munger, Berkshire Hathaway
Three Primary Interrelated Sources of Danger to be Avoided:

- Business Risk
- Valuation Risk
- Balance Sheet Risk
80/20 Rule – Individual Stocks Drive Markets

Observations from the Lifetime Total Returns of +8,000 Individual Common U.S. Stocks (1983-2007)

Avoid: “Value Traps”
Beware of the Trinity of Risk

Trade Over Short-Term: “Close the Discount”
61% of all stocks had a positive total return

Invest for the Long-Term: “Compounders”
The top 25% of individual stocks account for ALL of markets long term returns (1983-2007).
Predictive attributes are often present.
Idea Categories

Compounders – Buy Low, Let Grow
- A wonderful company at a fair price.
- Double-digit business or intrinsic value compounding potential.
- Predictive attributes are often present.
- Fundamental Business Analysis = Key Driver.

Close the Discount (CTD) – Buy Low, Sell High
- A fair company at a wonderful price.
- Requires catalysts or an exit strategy.
- Returns are higher when discounts are closed quickly.
- Valuation Analysis + Potential Catalysts = Key Drivers.

Cash
- Held when ideas are scarce and for downside protection.

PENDER PODCAST
CLICK HERE
PENDER FILTERS

Idea Categories

(Like a movie watched over time)

**Compounders**
Following intrinsic value growth.

(Like a picture captured in time)

**Close the Discount (CTD)**
Identifying moment-in-time value discrepancies.

PENDER
Forward thinking. Finding value.
PENDER FILTERS

Idea Categories

Compounders – Buy Low, Let Grow

"To make money in stocks you must have the vision to see them, the courage to buy them and the patience to hold them."

— George F. Baker, U.S. financier & philanthropist

Close the Discount (CTD) – Buy Low, Sell High

"There is a time to go long. There is a time to go short. And there is a time to go fishing."

— Jesse Livermore, famed U.S. trader

Cash

"It takes character to sit with all that cash and to do nothing. I didn't get where I am by going after mediocre opportunities."

— Charlie Munger, Berkshire Hathaway


Pender

Forward thinking. Finding value.
Good investment opportunities aren’t going to come along too often and won’t last too long. So you’ve got to be ready to act.

— Charlie Munger, Berkshire Hathaway
PENDER FILTERS
A History of Identifying Catalysts

Take Outs from June 2009 to December 2019

E-xact Transactions Ltd.
Matrikon Inc.
Menu Foods Income Fund
SeaCliff Construction Corp.
Western Coal Corp.
Xenos Group

2020 Technologies Inc.
Computer Software Innovations
HOMEQ Corp.
Lorex Technology Inc.
March Networks Corp.
Miranda Technologies Inc.
OSI Geospatial Inc.

360 Vox Corp.
Commercial Solutions Inc.
DDS Wireless
NexGen Financial Corp.
Novus Energy Inc.
Zedi Inc.

Canamax Energy Ltd.
Prism Medical Ltd.
Jeni Fibre Corp.
QHR Technologies Inc.

Key Technology Inc.
Avigilon Corporation
Neulion Inc.
Mattersight Corp.
Energy XXI Gulf Coast
Syntel Inc.
Symbility Solutions Inc.
Cortex Business Solutions Inc.

2010
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2011
Cytiva Software Inc.
Icron Technologies Corp.
Mosaid Technologies Inc.
Zarlink Semiconductor Inc.

2012
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2014
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2016
2017
2018
2019

2010
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9

2011
Cytiva Software Inc.
Icron Technologies Corp.
Mosaid Technologies Inc.
Zarlink Semiconductor Inc.

2012
Memsic Inc
PEER 1 Network Enterprises
Radiant Communications
SoftChoice Corp.
Sycamore Networks
Wenzel Downhole Tools Ltd.
Western Wind Energy Corp.
YM Biosciences Inc.

2013
Arctic Glacier Income Fund
Glentel Inc.
SolarWinds Inc.
Wanted Technologies Corp.
Webtech Wireless Inc.

2014
Apivo Systems Inc.
IWG Technologies Inc.
Panera Bread Company
RDM Corp.
Sandvine Corp.
Tio Networks Corp.
VIXS Systems Inc.
Whole Foods Market Inc.

2015

2016

2017

2018

2019

2020

TOTAL
63

Key Technology Inc.
Avigilon Corporation
Neulion Inc.
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PENDER PODCAST
CLICK HERE
Episode 24 – Avoiding Value Traps by Looking for Catalysts

Pender
Forward thinking. Finding value.
PENDER FILTERS

*Patience*

“The Stock Market is designed to transfer money from the active to the patient.

— Warren Buffett
Patience is a scarce attribute in modern day investing and hence, it is one of the most valuable differentiators.

Two Key Investing Benefits from Patience:

1. Patience to wait for the “fat pitch” - Stay patient and disciplined to remain in cash until attractive opportunities emerge.
2. Patience to "hold" - Stay invested in “compounders” as long as the underlying business value grows at a satisfactory pace and valuation levels do not climb to extreme levels.
Key Gating Factors Vary at Fund or Security Level

<table>
<thead>
<tr>
<th>Fund Level</th>
<th>Individual Equity/Security Level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mandate or Strategy</strong></td>
<td><strong>Valuation Analysis</strong></td>
</tr>
<tr>
<td>▪ Concentration levels</td>
<td>▪ Price-to-intrinsic value considerations</td>
</tr>
<tr>
<td>▪ IRR hurdle rates</td>
<td></td>
</tr>
<tr>
<td>▪ Market capitalization size</td>
<td><strong>Business/Fundamental Analysis</strong></td>
</tr>
<tr>
<td>constraints</td>
<td>▪ Trinity of Risk</td>
</tr>
<tr>
<td>▪ Drawdown limits</td>
<td>▪ Qualitative factors</td>
</tr>
<tr>
<td>▪ Cash management &amp;</td>
<td>▪ ESG</td>
</tr>
<tr>
<td>liquidity constraints</td>
<td></td>
</tr>
<tr>
<td>▪ Sector diversification</td>
<td></td>
</tr>
</tbody>
</table>
PORTFOLIO MANAGEMENT / EQUITY

*Hybrid Man + Machine Approach to Portfolio Optimization*

Key Gating Factors Vary by Mandate or Strategy:

- Concentration levels
- IRR hurdle rates
- Key qualitative factors & trinity of risk
- Market capitalization size constraints
- Drawdown limits
- Cash management and liquidity constraints
- Sector diversification
THE PENDER CREDO

Key Differentiators

- We seek to obtain more value than we are paying for.
- We take a private equity approach to public markets.
- We are independent thinkers and patient opportunists.
- We manage concentrated, idiosyncratic portfolios.
- We are focused on owning businesses, not trading stocks.
- We are occasionally contrarian.
- We are aligned because we are investors in the funds too.