

Annual Financial Statements of

PENDER MUTUAL FUNDS

And Independent Auditors' Report thereon

Year ended December 31, 2019

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the **Pender Mutual Funds** (the “Funds”) are the responsibility of management. They have been prepared in accordance with International Financial Reporting Standards.

PenderFund Capital Management Ltd. (the “Manager”) has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

The Board of Directors of the Manager is responsible for reviewing and approving the financial statements and for overseeing the Manager’s performance of its financial reporting responsibilities. The Board of Directors has approved the accompanying financial statements of the Funds.

These financial statements have been audited by KPMG LLP, Chartered Professional Accountants, on behalf of the unitholders. The auditors’ report outlines the scope of their audit and their opinion on the financial statements.

"David Barr"

David Barr
President, CEO
PenderFund Capital Management Ltd.

"Gina Jones"

Gina Jones
Chief Financial Officer
PenderFund Capital Management Ltd.

March 26, 2020



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Unitholders of the Pender Mutual Funds (collectively, the "Funds")

Pender Corporate Bond Fund

Pender Enhanced Income Fund (formerly Vertex Enhanced Income Fund)

Pender Small Cap Opportunities Fund

Pender Strategic Growth and Income Fund

Pender US All Cap Equity Fund

Pender Value Fund

Pender Value Fund II (formerly Vertex Value Fund)

Opinion

We have audited the financial statements of the Funds, which comprise:

- the statements of financial position as at December 31, 2019 and December 31, 2018 (as at December 31, 2019 only, the Pender Enhanced Income Fund and Pender Value Fund II)
- the statements of comprehensive income for the years then ended (for the year ended December 31, 2019 only, the Pender Enhanced Income Fund and Pender Value Fund II)
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended (for the year ended December 31, 2019 only, the Pender Enhanced Income Fund and Pender Value Fund II)
- the statements of cash flows for the years then ended (for the year ended December 31, 2019 only, the Pender Enhanced Income Fund and Pender Value Fund II)
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2019 and December 31, 2018 (as at December 31, 2019 only, the Pender Enhanced Income Fund and Pender Value Fund II), and its financial performance and its cash flows for the years then ended (for the year ended December 31, 2019 only, the Pender Enhanced Income Fund and Pender Value Fund II) in accordance with International Financial Reporting Standards (IFRS).



Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Funds in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2018 for the Pender Enhanced Income Fund and Pender Value Fund II were audited by another auditor who expressed an unmodified opinion on those financial statements on April 1, 2019.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in the Annual Management Report of Fund Performance for each of the Funds filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Annual Management Report of Fund Performance for each of the Funds filed with the relevant Canadian Securities Commissions as at the date of this auditors’ report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors’ report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Funds’ ability to continue as a going concern, disclosing as applicable, matters related to going



concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Funds to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 26, 2020

PENDER CORPORATE BOND FUND

Statements of Financial Position

December 31, 2019 and 2018

	Notes	2019	2018
Assets			
Cash		\$ 58,800,245	\$ 9,965,433
Interest receivable		10,034,320	5,696,336
Subscriptions receivable		1,422,142	977,466
Dividends receivable		328,715	165,593
Derivative assets		10,378,740	-
Investments		998,176,119	538,068,587
		1,079,140,281	554,873,415
Liabilities			
Payable for investments purchased		10,551,234	-
Management and administration fees payable	4	1,050,899	558,448
Redemptions payable to holders of redeemable units		837,819	536,437
Accrued expenses		2,037	3,371
Distributions payable to holders of redeemable units		941	12,856
Derivative liabilities		-	10,266,145
		12,442,930	11,377,257
Net assets, attributable to holders of redeemable units		\$ 1,066,697,351	\$ 543,496,158
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 115,962,256	\$ 76,888,286
Class A (USD)		6,017,604	6,177,479
Class D		3,905,778	1,725,989
Class E		3,912,007	-
Class F		406,674,118	246,708,554
Class F (USD)		20,175,025	24,368,234
Class H		62,459,296	38,560,155
Class H (USD)		2,680,238	-
Class I		381,227,620	140,680,255
Class I (USD)		15,621,102	-
Class N		17,211,198	-
Class N (USD)		3,647,577	-
Class O		27,197,679	8,387,206
Class U		5,853	-
		\$ 1,066,697,351	\$ 543,496,158
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 12.49	\$ 12.24
Class A (USD)		13.66	13.89
Class D		11.45	11.23
Class E		10.07	-
Class F		12.50	12.25
Class F (USD)		13.52	13.75
Class H		11.01	10.79
Class H (USD)		13.02	-
Class I		10.74	10.53
Class I (USD)		13.04	-
Class N		10.01	-
Class N (USD)		13.00	-
Class O		10.87	10.64
Class U		9.95	-

Subsequent events

13

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr"

Director

"Felix Narhi"

Director

PENDER CORPORATE BOND FUND

Statements of Comprehensive Income

Years ended December 31, 2019 and 2018

	Notes	2019	2018
Revenue:			
Dividend income		\$ 4,449,883	\$ 1,951,248
Interest for distribution purposes		35,905,155	15,684,389
Securities lending income	5	-	42,715
Foreign exchange gain (loss)		(661,794)	435,404
Changes in fair value of investments and derivatives:			
Net realized gain (loss)		6,982,306	3,827,922
Net change in unrealized appreciation (depreciation)		3,939,152	(594,281)
Total revenue		50,614,702	21,347,397
Expenses:			
Management fees	4	6,074,081	2,756,508
Administration fees	4	4,183,845	1,768,429
Transaction costs		203,232	178,561
Withholding taxes (recovery)	6	155,390	214,680
Independent review committee fees		24,135	9,914
Total expenses		10,640,683	4,928,092
Less: expenses absorbed by the Manager		(24,135)	(9,914)
Net expenses		10,616,548	4,918,178
Increase (decrease) in net assets attributable to holders of redeemable units		\$ 39,998,154	\$ 16,429,219
Increase (decrease) in net assets attributable to holders of redeemable units per class:			
Class A		\$ 4,277,570	\$ 2,188,230
Class A (USD)		51,184	395,538
Class D		147,128	43,989
Class E		49,993	-
Class F		17,684,750	5,843,665
Class F (USD)		317,882	2,506,302
Class H		2,391,032	1,190,809
Class H (USD)		(6,387)	-
Class I		14,075,476	3,434,156
Class I (USD)		86,187	-
Class N		239,273	-
Class N (USD)		28,693	-
Class O		655,357	826,530
Class U		16	-
		\$ 39,998,154	\$ 16,429,219
Increase (decrease) in net assets attributable to holders of redeemable units per unit:			
Class A		\$ 0.53	\$ 0.49
Class A (USD)		0.10	1.52
Class D		0.53	0.46
Class E		0.18	-
Class F		0.63	0.47
Class F (USD)		0.17	1.71
Class H		0.49	0.44
Class H (USD)		(0.19)	-
Class I		0.53	0.40
Class I (USD)		0.11	-
Class N		0.19	-
Class N (USD)		0.12	-
Class O		0.75	0.84
Class U		0.03	-

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2019 and 2018

Class A	2019	2018
Balance, beginning of year	\$ 76,888,286	\$ 38,229,254
Increase (decrease) in net assets attributable to holders of redeemable units	4,277,570	2,188,230
Unit transactions:		
Proceeds from issue of redeemable units	65,446,591	53,720,353
Issued on reinvestment of distributions	1,976,820	1,123,581
Amounts paid on redemption of redeemable units	(30,010,252)	(16,861,544)
	37,413,159	37,982,390
Distributions paid from:		
Net investment income	(2,616,759)	(1,511,588)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(2,616,759)	(1,511,588)
Balance, end of year	\$ 115,962,256	\$ 76,888,286
Class A (USD)	2019	2018
Balance, beginning of year	\$ 6,177,479	\$ 1,263,971
Increase (decrease) in net assets attributable to holders of redeemable units	51,184	395,538
Unit transactions:		
Proceeds from issue of redeemable units	3,141,164	5,133,652
Issued on reinvestment of distributions	134,681	68,039
Amounts paid on redemption of redeemable units	(3,309,712)	(588,577)
	(33,867)	4,613,114
Distributions paid from:		
Net investment income	(177,192)	(95,144)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(177,192)	(95,144)
Balance, end of year	\$ 6,017,604	\$ 6,177,479
Class D	2019	2018
Balance, beginning of year	\$ 1,725,989	\$ 182,431
Increase (decrease) in net assets attributable to holders of redeemable units	147,128	43,989
Unit transactions:		
Proceeds from issue of redeemable units	3,814,061	2,655,711
Issued on reinvestment of distributions	92,138	36,365
Amounts paid on redemption of redeemable units	(1,770,155)	(1,154,745)
	2,136,044	1,537,331
Distributions paid from:		
Net investment income	(103,383)	(37,762)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(103,383)	(37,762)
Balance, end of year	\$ 3,905,778	\$ 1,725,989

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class E	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	49,993	-
Unit transactions:		
Proceeds from issue of redeemable units	4,012,202	-
Issued on reinvestment of distributions	35,772	-
Amounts paid on redemption of redeemable units	(150,187)	-
	3,897,787	-
Distributions paid from:		
Net investment income	(35,773)	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	(35,773)	-
Balance, end of year	\$ 3,912,007	\$ -
Class F	2019	2018
Balance, beginning of year	\$ 246,708,554	\$ 68,365,397
Increase (decrease) in net assets attributable to holders of redeemable units	17,684,750	5,843,665
Unit transactions:		
Proceeds from issue of redeemable units	272,357,093	224,513,594
Issued on reinvestment of distributions	7,050,009	3,248,968
Amounts paid on redemption of redeemable units	(125,233,369)	(49,827,293)
	154,173,733	177,935,269
Distributions paid from:		
Net investment income	(11,892,919)	(5,435,777)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(11,892,919)	(5,435,777)
Balance, end of year	\$ 406,674,118	\$ 246,708,554
Class F (USD)	2019	2018
Balance, beginning of year	\$ 24,368,234	\$ 12,427,041
Increase (decrease) in net assets attributable to holders of redeemable units	317,882	2,506,302
Unit transactions:		
Proceeds from issue of redeemable units	19,516,805	16,856,549
Issued on reinvestment of distributions	470,921	272,871
Amounts paid on redemption of redeemable units	(23,627,547)	(7,014,899)
	(3,639,821)	10,114,521
Distributions paid from:		
Net investment income	(871,270)	(679,630)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(871,270)	(679,630)
Balance, end of year	\$ 20,175,025	\$ 24,368,234

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class H	2019	2018
Balance, beginning of year	\$ 38,560,155	\$ 19,158,685
Increase (decrease) in net assets attributable to holders of redeemable units	2,391,032	1,190,809
Unit transactions:		
Proceeds from issue of redeemable units	33,199,991	25,536,805
Issued on reinvestment of distributions	1,234,462	669,161
Amounts paid on redemption of redeemable units	(11,393,646)	(7,112,489)
	23,040,807	19,093,477
Distributions paid from:		
Net investment income	(1,532,698)	(882,816)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(1,532,698)	(882,816)
Balance, end of year	\$ 62,459,296	\$ 38,560,155

Class H (USD)	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	(6,387)	-
Unit transactions:		
Proceeds from issue of redeemable units	2,686,625	-
Issued on reinvestment of distributions	5,531	-
Amounts paid on redemption of redeemable units	-	-
	2,692,156	-
Distributions paid from:		
Net investment income	(5,531)	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	(5,531)	-
Balance, end of year	\$ 2,680,238	\$ -

Class I	2019	2018
Balance, beginning of year	\$ 140,680,255	\$ 42,272,114
Increase (decrease) in net assets attributable to holders of redeemable units	14,075,476	3,434,156
Unit transactions:		
Proceeds from issue of redeemable units	300,846,078	118,824,808
Issued on reinvestment of distributions	5,186,366	1,954,556
Amounts paid on redemption of redeemable units	(69,392,947)	(22,479,439)
	236,639,497	98,299,925
Distributions paid from:		
Net investment income	(10,167,608)	(3,325,940)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(10,167,608)	(3,325,940)
Balance, end of year	\$ 381,227,620	\$ 140,680,255

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class I (USD)	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	86,187	-
Unit transactions:		
Proceeds from issue of redeemable units	15,953,301	-
Issued on reinvestment of distributions	36,106	-
Amounts paid on redemption of redeemable units	(255,775)	-
	15,733,632	-
Distributions paid from:		
Net investment income	(198,717)	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	(198,717)	-
Balance, end of year	\$ 15,621,102	\$ -

Class N	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	239,273	-
Unit transactions:		
Proceeds from issue of redeemable units	18,043,370	-
Issued on reinvestment of distributions	43,486	-
Amounts paid on redemption of redeemable units	(865,165)	-
	17,221,691	-
Distributions paid from:		
Net investment income	(249,766)	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	(249,766)	-
Balance, end of year	\$ 17,211,198	\$ -

Class N (USD)	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	28,693	-
Unit transactions:		
Proceeds from issue of redeemable units	3,685,316	-
Issued on reinvestment of distributions	1,372	-
Amounts paid on redemption of redeemable units	(7,975)	-
	3,678,713	-
Distributions paid from:		
Net investment income	(59,829)	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	(59,829)	-
Balance, end of year	\$ 3,647,577	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class O	2019	2018
Balance, beginning of year	\$ 8,387,206	\$ 12,351,121
Increase (decrease) in net assets attributable to holders of redeemable units	655,357	826,530
Unit transactions:		
Proceeds from issue of redeemable units	19,492,858	-
Issued on reinvestment of distributions	407,865	486,848
Amounts paid on redemption of redeemable units	(1,337,742)	(4,790,445)
	18,562,981	(4,303,597)
Distributions paid from:		
Net investment income	(407,865)	(486,848)
Realized gains on sale of investments	-	-
Return of capital	-	-
	(407,865)	(486,848)
Balance, end of year	\$ 27,197,679	\$ 8,387,206
Class U	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	16	-
Unit transactions:		
Proceeds from issue of redeemable units	5,837	-
Issued on reinvestment of distributions	95	-
Amounts paid on redemption of redeemable units	-	-
	5,932	-
Distributions paid from:		
Net investment income	(95)	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	(95)	-
Balance, end of year	\$ 5,853	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 39,998,154	\$ 16,429,219
Adjustments for:		
Dividend income	(4,449,883)	(1,951,248)
Interest for distribution purposes	(35,905,155)	(15,684,389)
Foreign exchange (gain) loss	661,794	(435,404)
Net realized (gain) loss on sale of investments	(10,007,551)	(9,075,114)
Net change in unrealized (appreciation) depreciation of investments	16,705,733	(12,443,368)
Derivative assets and liabilities	(20,644,885)	13,037,649
Other receivable	-	354
Management and administration fees payable	492,451	365,464
Accrued expenses	(1,334)	3,371
	(13,150,676)	(9,753,466)
Proceeds on disposal of investments	501,511,976	240,682,381
Amounts paid on purchase of investments	(957,766,456)	(576,981,872)
Dividends received	4,286,761	1,876,121
Interest received	31,567,171	11,861,364
	(433,551,224)	(332,315,472)
Financing:		
Proceeds from issue of redeemable units	661,966,128	411,970,981
Amounts paid on redemption of redeemable units	(167,262,602)	(74,725,927)
Distributions paid to unitholders	(11,655,696)	(4,591,611)
	483,047,830	332,653,443
Net increase (decrease) in cash	49,496,606	337,971
Cash, beginning of year	9,965,433	9,192,058
Effect of exchange rate fluctuations on cash	(661,794)	435,404
Cash, end of year	\$ 58,800,245	\$ 9,965,433

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Schedule of Investment Portfolio

December 31, 2019

	Interest rate	Maturity date	Issue currency	Face value	Cost	Fair value
Corporate bonds and loans:						
Canada (21.8%):						
1011778 B.C. ULC / New Red Finance Inc.	4.25%	2024/05/15	USD	\$ 7,950,000	\$ 10,673,369	\$ 10,634,157
1011778 B.C. ULC / New Red Finance Inc.	5.00%	2025/10/15	USD	9,000,000	11,987,751	12,167,634
Canadian National Railway Company	2.75%	2021/02/18	CAD	14,000,000	14,122,300	14,094,661
Canadian Pacific Railway Company	5.10%	2022/01/14	CAD	7,350,000	8,008,765	7,750,701
Crown Capital Partners Inc.	6.00%	2023/06/30	CAD	1,853,000	1,853,000	1,788,145
Eldorado Gold Corporation	9.50%	2024/06/01	USD	8,850,000	12,177,705	12,406,542
Element Fleet Management Corp.	4.25%	2020/06/30	CAD	14,761,000	14,235,577	14,822,258
Enbridge Inc.	5.50%	2077/07/15	USD	750,000	1,016,956	1,009,567
Energy Fuels Inc.	8.50%	2020/12/31	CAD	3,964,000	3,801,595	3,874,810
First Quantum Minerals Ltd.	7.25%	2022/05/15	USD	1,500,000	1,957,930	1,966,290
First Quantum Minerals Ltd.	6.88%	2026/03/01	USD	4,000,000	4,824,195	5,305,044
Hudbay Minerals Inc.	7.25%	2023/01/15	USD	2,000,000	2,727,590	2,704,282
Hudbay Minerals Inc.	7.63%	2025/01/15	USD	2,000,000	2,686,335	2,742,823
IAMGOLD Corporation	7.00%	2025/04/15	USD	5,000,000	6,750,985	6,782,846
Just Energy Group Inc.	6.75%	2021/12/31	CAD	10,098,000	8,873,929	7,119,090
Just Energy Group Inc.	6.75%	2023/03/31	CAD	16,010,000	14,363,231	10,806,750
MEG Energy Corp.	6.38%	2023/01/30	USD	1,000,000	1,232,753	1,312,068
MEG Energy Corp.	6.50%	2025/01/15	USD	2,500,000	3,365,565	3,392,787
Norbord Inc.	6.25%	2023/04/15	USD	8,247,000	11,117,604	11,485,555
Open Text Corporation	5.63%	2023/01/15	USD	20,869,000	28,516,018	27,705,926
Osisko Gold Royalties Ltd.	4.00%	2022/12/31	CAD	17,391,000	17,455,105	17,522,302
Parkland Fuel Corporation	5.50%	2021/05/28	CAD	6,306,000	6,440,958	6,404,531
Parkland Fuel Corporation	6.00%	2022/11/21	CAD	13,000,000	13,338,000	13,270,833
Royal Bank of Canada	2.41%	2020/03/23	CAD	7,500,000	7,510,200	7,509,825
SSR Mining Inc.	2.50%	2039/04/01	USD	250,000	381,987	417,808
Surge Energy Inc.	5.75%	2022/12/31	CAD	9,000,000	8,506,250	8,887,050
Surge Energy Inc.	6.75%	2024/06/30	CAD	4,766,000	4,695,589	4,625,641
Taseko Mines Ltd.	8.75%	2022/06/15	USD	12,602,000	15,191,822	13,643,758
					237,813,064	232,153,684
United States (51.7%):						
Aceto Corporation	2.00%	2020/11/01	USD	12,838,000	-	1,667,078
Acorda Therapeutics, Inc.	1.75%	2021/06/15	USD	2,000,000	2,318,892	1,965,025
Apple Inc.	2.51%	2024/08/19	CAD	5,000,000	5,054,200	5,052,150
Avanos Medical, Inc.	6.25%	2022/10/15	USD	8,732,000	11,863,604	11,526,734
Avaya Holdings Corp.	2.25%	2023/06/15	USD	15,700,000	18,588,797	18,197,484
Avaya Inc.	5.99%	2024/12/15	USD	5,000,000	6,376,080	6,390,489
Beazer Homes USA, Inc.	5.88%	2027/10/15	USD	500,000	668,104	657,407
Bed Bath & Beyond Inc.	5.17%	2044/08/01	USD	9,934,000	9,152,771	9,384,601
Briggs & Stratton Corporation	6.88%	2020/12/15	USD	8,088,000	10,029,582	10,428,103
Carbonite, Inc.	2.50%	2022/04/01	USD	12,500,000	15,537,772	17,213,362
CDW LLC / CDW Finance Corporation	5.50%	2024/12/01	USD	1,500,000	2,115,204	2,166,147
Century Communities, Inc.	5.88%	2025/07/15	USD	500,000	689,187	678,762
CF Industries, Inc.	3.40%	2021/12/01	USD	2,500,000	3,211,349	3,330,823
CF Industries, Inc.	4.50%	2026/12/01	USD	7,138,000	9,479,379	10,103,035
FLIR Systems, Inc.	3.13%	2021/06/15	USD	1,000,000	1,309,619	1,309,405
Forestar Group Inc.	8.00%	2024/04/15	USD	3,150,000	4,547,452	4,460,269
Frontdoor, Inc.	6.75%	2026/08/15	USD	10,860,000	15,662,651	15,411,612
Frontier Communications Corporation	8.50%	2020/04/15	USD	1,000,000	1,244,106	778,098
Frontier Communications Corporation	11.00%	2025/09/15	USD	1,000,000	679,563	633,043
Frontier Communications Corporation	8.00%	2027/04/01	USD	9,500,000	13,086,881	12,914,177

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Schedule of Investment Portfolio (continued)

December 31, 2019

	Interest rate	Maturity date	Issue currency	Face value	Cost	Fair value
Corporate bonds and loans (continued):						
United States (51.7%) (continued):						
FTS International, Inc.	6.25%	2022/05/01	USD	10,000,000	12,647,055	8,477,090
Gartner, Inc.	5.13%	2025/04/01	USD	12,599,000	17,095,465	17,069,411
Global Eagle Entertainment Inc.	9.71%	2022/12/22	USD	1,968,421	2,502,300	2,316,459
Global Eagle Entertainment Inc.	3.25%	2035/02/15	USD	5,750,000	4,884,888	2,986,665
GoPro, Inc.	3.50%	2022/04/15	USD	1,000,000	1,284,994	1,276,406
Hecla Mining Company	6.88%	2021/05/01	USD	500,000	658,236	648,626
ILFC E-Capital Trust II	4.15%	2065/12/21	USD	1,000,000	1,066,499	1,055,474
Infinera Corporation	2.13%	2024/09/01	USD	7,134,000	6,585,252	9,825,424
Lamar Media Corp.	5.00%	2023/05/01	USD	2,029,000	2,773,574	2,687,427
Lamar Media Corp.	5.38%	2024/01/15	USD	2,695,000	3,698,373	3,576,881
Lamar Media Corp.	5.75%	2026/02/01	USD	2,000,000	2,845,170	2,757,471
LGI Homes, Inc.	6.88%	2026/07/15	USD	11,918,000	15,058,087	16,255,303
Louisiana-Pacific Corporation	4.88%	2024/09/15	USD	13,100,000	17,009,226	17,634,714
Mattel Inc.	6.75%	2025/12/31	USD	500,000	705,928	699,195
Mattel Inc.	6.20%	2040/10/01	USD	4,370,000	4,850,615	5,183,436
Mattel Inc.	5.45%	2041/11/01	USD	3,310,000	3,266,241	3,646,744
McDermott Technology (Americas), LLC	11.97%	2021/10/21	USD	2,522,296	3,322,115	3,353,116
McDermott Technology (Americas), LLC	10.63%	2024/05/01	USD	8,000,000	1,718,672	912,205
McDermott Technology (Americas), LLC	7.10%	2025/04/04	USD	14,987,342	13,511,263	11,560,317
McDonald's Corporation	3.13%	2025/03/04	CAD	16,000,000	15,866,560	16,417,760
MEDNAX Inc.	5.25%	2023/12/01	USD	7,300,000	9,649,404	9,712,466
Microsoft Corp.	1.85%	2020/02/06	USD	1,313,000	1,751,057	1,704,946
Microsoft Corp.	1.55%	2021/08/08	USD	9,468,000	12,261,106	12,281,588
Microsoft Corp.	2.65%	2022/11/03	USD	5,000,000	6,771,978	6,651,763
MSCI Inc.	5.25%	2024/11/15	USD	3,705,000	5,151,259	4,952,888
MSCI Inc.	5.75%	2025/08/15	USD	7,084,000	9,849,066	9,670,281
MSCI Inc.	4.75%	2026/08/01	USD	1,000,000	1,352,981	1,363,247
Nuance Communications Inc.	5.63%	2026/12/15	USD	1,923,000	2,718,450	2,667,059
Paratek Pharmaceuticals Inc.	4.75%	2024/05/01	USD	14,310,000	14,240,467	13,425,676
PepsiCo Inc.	2.15%	2024/05/06	CAD	10,000,000	9,615,363	9,951,300
Rite Aid Corp.	6.13%	2023/04/01	USD	12,420,000	13,780,520	14,878,072
SunPower Corporation	0.88%	2021/06/01	USD	15,404,000	18,570,291	18,465,144
SunPower Corporation	4.00%	2023/01/15	USD	13,867,000	14,937,690	14,796,346
Talos Production LLC	11.00%	2022/04/03	USD	16,000,000	21,949,687	21,302,702
The Goldman Sachs Group, Inc.	5.00%	2049/12/31	USD	750,000	997,222	982,697
The Kraft Heinz Foods Company	4.88%	2025/02/15	USD	15,854,000	21,464,377	21,153,150
The Walt Disney Company	2.76%	2024/10/07	CAD	7,000,000	6,893,110	7,156,135
TMST, Inc.	8.00%	2013/05/15	USD	7,212,000	2,801,759	3,277,800
Tutor Perini Corporation	2.88%	2021/06/15	USD	9,500,000	11,719,993	11,779,726
Tutor Perini Corporation	6.88%	2025/05/01	USD	11,925,000	15,050,937	14,981,939
Twitter, Inc.	1.00%	2021/09/15	USD	10,500,000	13,307,415	13,293,906
United Parcel Service, Inc.	2.13%	2024/05/21	CAD	3,000,000	2,972,630	2,967,180
Verisign, Inc.	4.63%	2023/05/01	USD	22,718,000	30,193,841	30,033,976
Voya Financial, Inc.	5.65%	2053/05/15	USD	550,000	769,285	760,433
W&T Offshore, Inc.	9.75%	2023/11/01	USD	16,690,000	21,399,327	20,724,398
Zillow Group, Inc.	1.50%	2023/07/01	USD	9,380,000	11,422,222	11,722,780
Zillow Group, Inc.	1.38%	2026/09/01	USD	5,000,000	7,511,017	7,932,030
					552,068,160	551,197,556

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Schedule of Investment Portfolio (continued)

December 31, 2019

	Interest rate	Maturity date	Issue currency	Face value/ Number of shares	Cost	Fair value
Corporate bonds and loans (continued):						
Foreign (3.2%):						
Avadel Finance Cayman Ltd.	4.50%	2023/02/01	USD	10,500,000	6,297,440	11,813,145
Grupo FAMSA, S.A. de C.V.	7.25%	2020/06/01	USD	5,887,000	7,128,006	6,867,800
Navios Maritime Holdings Inc.	11.25%	2022/08/15	USD	3,000,000	3,457,607	2,644,172
Novasep Holding SAS	1.00%	2032/12/15	USD	478,750	284,025	-
Teva Pharmaceutical Finance Netherlands III B.V.	2.80%	2023/07/21	USD	5,000,000	5,673,538	6,021,831
Teva Pharmaceutical Finance Netherlands III B.V.	6.00%	2024/04/15	USD	3,000,000	3,714,222	3,952,449
Teva Pharmaceutical Finance Netherlands III B.V.	3.15%	2026/10/01	USD	3,000,000	3,002,988	3,255,341
					29,557,826	34,554,738
Total corporate bonds and loans (76.7%)					\$ 819,439,050	\$ 817,905,978
Closed end funds (1.2%):						
Aberdeen Asia-Pacific Income Fund Inc.			USD	410,000	2,403,467	2,262,723
BrandywineGLOBAL Global Income Opportunities Fund			USD	158,948	2,624,924	2,606,856
First Trust Senior Floating Rate Income Fund II			USD	100,000	1,584,879	1,629,680
Invesco Senior Income Trust			USD	300,000	1,657,209	1,671,234
Pioneer Floating Rate Trust			USD	100,000	1,393,601	1,424,509
Western Asset / Claymore Inflation-Linked Opportunities & Income Fund			USD	150,000	2,219,264	2,247,790
Western Asset Emerging Markets Debt Fund Inc.			USD	60,406	1,137,317	1,119,342
					13,020,661	12,962,134
Common shares (0.2%):						
PHI Group Inc.			USD	232,636	2,423,657	2,084,417
					2,423,657	2,084,417
Government bonds (8.8%):						
City of Vancouver	4.50%	2020/06/01	CAD	4,000,000	4,156,760	4,045,974
Government of Canada	1.50%	2020/03/01	CAD	5,000,000	4,982,500	4,997,963
Government of Canada	1.75%	2020/05/01	CAD	10,000,000	10,008,650	10,000,420
Government of Canada	3.50%	2020/06/01	CAD	5,000,000	5,077,000	5,035,385
Government of Canada	1.75%	2020/08/01	CAD	10,000,000	9,926,800	9,999,605
Government of Canada	2.00%	2020/11/01	CAD	9,000,000	8,994,800	9,017,660
Government of Canada	0.75%	2021/03/01	CAD	8,000,000	7,789,650	7,909,307
Government of Canada	2.75%	2022/06/01	CAD	10,500,000	10,745,225	10,762,283
Government of Canada	1.00%	2022/09/01	CAD	5,000,000	4,836,500	4,911,227
United States Treasury Bond	1.50%	2020/05/15	USD	5,000,000	6,681,552	6,489,707
United States Treasury Bond	1.50%	2020/05/31	USD	5,000,000	6,694,227	6,489,433
United States Treasury Bond	2.50%	2022/01/15	USD	2,000,000	2,655,096	2,643,640
United States Treasury Bond	2.00%	2022/10/31	USD	3,000,000	3,804,253	3,937,411
United States Treasury Bond	2.88%	2023/10/31	USD	6,000,000	7,907,485	8,140,974
					94,260,498	94,380,989
Preferred shares (6.5%):						
BCE Inc., Series AB	Variable		CAD	91,500	1,378,448	1,407,270
BCE Inc., Series AC	4.38%		CAD	185,000	3,083,399	3,056,200
BCE Inc., Series AH	Variable		CAD	90,000	1,355,850	1,379,700
BCE Inc., Series AI	2.75%		CAD	83,800	1,573,996	1,242,335
BCE Inc., Series AM	2.76%		CAD	99,400	1,469,834	1,426,390
BCE Inc., Series AO	4.26%		CAD	66,100	1,322,795	1,265,815
BCE Inc., Series AQ	4.81%		CAD	143,600	2,854,278	2,662,344
Braemar Hotels & Resorts, Series B	5.50%		USD	76,720	1,853,005	1,892,870
Brookfield Asset Management Inc., Series 24	3.01%		CAD	120,000	1,911,501	1,904,400
Brookfield Asset Management Inc., Series 26	3.47%		CAD	67,200	1,053,639	1,094,016
Brookfield Asset Management Inc., Series 28	2.73%		CAD	120,000	1,623,269	1,650,000

The accompanying notes are an integral part of these financial statements.

PENDER CORPORATE BOND FUND

Schedule of Investment Portfolio (continued)

December 31, 2019

	Dividend rate	Issue currency	Number of shares	Cost	Fair value
Preferred shares (6.5%) (continued):					
Brookfield Office Properties Inc., Series AA	4.75%	CAD	38,000	638,020	680,200
Brookfield Office Properties Inc., Series GG	4.85%	CAD	177,300	3,487,573	3,776,490
Brookfield Office Properties Inc., Series N	3.78%	CAD	147,900	2,398,122	2,443,308
Brookfield Office Properties Inc., Series P	4.16%	CAD	133,800	2,186,203	2,214,390
Brookfield Office Properties Inc., Series R	4.16%	CAD	119,120	2,095,552	2,153,690
Brookfield Renewable Power Preferred Equity Inc., Series 5	5.00%	CAD	47,700	925,914	1,180,575
Capstone Infrastructure Corporation, Series A	3.27%	CAD	31,900	399,088	396,836
Element Fleet Management Corp., Series A	6.60%	CAD	58,700	1,311,358	1,367,710
Fairfax Financial Holdings Limited, Series C	4.58%	CAD	61,800	1,073,532	1,147,008
Fairfax Financial Holdings Limited, Series E	2.91%	CAD	115,000	1,700,487	1,696,250
Fairfax Financial Holdings Limited, Series G	3.32%	CAD	227,900	3,567,018	3,612,215
Fairfax Financial Holdings Limited, Series I	3.71%	CAD	200,000	3,292,365	3,400,000
Fannie Mae, Series N	5.50%	USD	100,000	2,336,304	2,532,173
Fannie Mae, Series P	Variable	USD	250,000	2,854,961	3,405,447
George Weston Limited, Series V	4.75%	CAD	81,500	1,903,756	1,832,120
Husky Energy Inc., Series 1	2.40%	CAD	55,500	717,989	690,975
Husky Energy Inc., Series 3	4.50%	CAD	228,150	4,132,008	3,985,781
Husky Energy Inc., Series 5	4.50%	CAD	221,400	4,213,112	4,206,600
Husky Energy Inc., Series 7	4.60%	CAD	240,775	4,584,700	4,569,910
Just Energy Group Inc., Series A	8.50%	USD	321,398	7,582,825	4,131,779
Power Financial Corp., Series P	2.31%	CAD	50,000	734,418	693,750
				71,615,319	69,098,547

	Exercise price	Expiry date	Issue currency	Number of units	Cost	Fair value
Warrants:						
Warrants (0.2%)						
PHI Group Inc.	-	2044/08/30	USD	194,649	2,030,466	1,744,054
Total warrants (0.2%)					2,030,466	1,744,054
Less: Transaction costs included in cost of investments					(160,402)	-
Total investments (93.6%)					\$ 1,002,629,249	\$ 998,176,119

	Settlement date	Contract rate	Pay	Receive	Unrealized gain (loss)
Derivative assets (1.0%):					
BNY Mellon, Foreign					
Currency Forward	2020/01/15	1.32	USD 465,730,916	CAD 615,114,500	10,378,740
					10,378,740
Cash (5.5%)					58,800,245
Other assets less liabilities (-0.1%)					(657,753)
Total net assets attributable to holders of redeemable units (100.0%)					\$ 1,066,697,351

The accompanying notes are an integral part of these financial statements.

PENDER ENHANCED INCOME FUND

(formerly Vertex Enhanced Income Fund)

Statements of Financial Position

December 31, 2019 and 2018

	Notes	2019	2018
Assets			
Cash		\$ 5,281,702	\$ 1,772,286
Receivable for investments sold		338,812	131,856
Dividends receivable		50,011	22,588
Interest receivable		36,496	794,769
Subscriptions receivable		31,462	12,687
Derivative assets		-	2,340
Investments		61,751,876	40,199,445
		67,490,359	42,935,971
Liabilities			
Redemptions payable		716,394	174,292
Accrued expenses		524,568	-
Payable for investments purchased		50,525	-
Management and administration fees payable	4	11,697	28,435
Derivative liabilities		-	386,991
		1,303,184	589,718
Net assets , attributable to holders of redeemable units		\$ 66,187,175	\$ 42,346,253
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 18,233,648	\$ 14,981,887
Class A1		5,000	-
Class E		5,000	-
Class F		47,923,527	27,364,366
Class F1		5,000	-
Class I		5,000	-
Class N		5,000	-
Class O		5,000	-
		\$ 66,187,175	\$ 42,346,253
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 7.53	\$ 8.23
Class A1		10.00	-
Class E		10.00	-
Class F		7.71	8.36
Class F1		10.00	-
Class I		10.00	-
Class N		10.00	-
Class O		10.00	-

Subsequent events 13

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr" Director "Felix Narhi" Director

PENDER ENHANCED INCOME FUND

(formerly Vertex Enhanced Income Fund)

Statements of Comprehensive Income

Years ended December 31, 2019 and 2018

	Notes	2019	2018
Revenue:			
Dividend income		\$ 616,993	\$ 841,616
Distributions from underlying funds		6,104	-
Interest income		758,271	3,049,767
Foreign exchange gain (loss)		(31,551)	4,967
Securities lending income	5	11,912	7,194
Changes in fair value of investments and derivatives:			
Net realized gain (loss)		(3,968,322)	(13,221,979)
Net change in unrealized appreciation (depreciation)		5,090,569	6,728,874
Total revenue		2,483,976	(2,589,561)
Expenses:			
Management fees	4	364,659	665,815
Securityholder reporting costs		181,826	192,205
Other administrative expenses		160,234	104,033
Audit fees		114,546	77,703
Withholding taxes (recovery)	6	73,047	35,634
Transactions costs		49,842	76,409
Legal fees		16,369	42,470
Independent review committee fees		16,119	21,290
Custody fees		7,039	15,735
Trustee fees		5,343	5,816
Interest expense		145	176
Total expenses		989,169	1,237,286
Increase (decrease) in net assets attributable to holders of redeemable units			
		\$ 1,494,807	\$ (3,826,847)
Increase (decrease) in net assets attributable to holders of redeemable units per class:			
Class A		\$ 144,392	\$ (1,372,986)
Class A1		-	-
Class E		-	-
Class F		1,350,415	(2,453,861)
Class F1		-	-
Class I		-	-
Class N		-	-
Class O		-	-
		\$ 1,494,807	\$ (3,826,847)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:			
Class A		\$ 0.10	\$ (0.60)
Class A1		-	-
Class E		-	-
Class F		0.52	(0.55)
Class F1		-	-
Class I		-	-
Class N		-	-
Class O		-	-

The accompanying notes are an integral part of these financial statements.

PENDER ENHANCED INCOME FUND

(formerly Vertex Enhanced Income Fund)

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2019 and 2018

Class A	2019	2018
Balance, beginning of year	\$ 14,981,887	\$ 27,990,775
Increase (decrease) in net assets attributable to holders of redeemable units	144,392	(1,372,986)
Unit transactions:		
Proceeds from issue of redeemable units	1,995,086	1,827,955
Amounts from issue of units on merger	10,812,495	-
Issued on reinvestment of distributions	414,877	783,418
Amounts paid on redemption of redeemable units	(9,550,742)	(13,202,243)
	3,671,716	(10,590,870)
Distributions paid from:		
Net investment income	(19,410)	(841,832)
Realized gains on sale of investments	-	-
Return of capital	(544,937)	(203,200)
	(564,347)	(1,045,032)
Balance, end of year	\$ 18,233,648	\$ 14,981,887
Class A1	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	-	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	5,000	-
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 5,000	\$ -
Class E	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	-	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	5,000	-
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 5,000	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER ENHANCED INCOME FUND

(formerly Vertex Enhanced Income Fund)

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class F	2019	2018
Balance, beginning of year	\$ 27,364,366	\$ 53,279,583
Increase (decrease) in net assets attributable to holders of redeemable units	1,350,415	(2,453,861)
Unit transactions:		
Proceeds from issue of redeemable units	3,149,513	8,504,525
Amounts from issue of units on merger	37,506,919	-
Issued on reinvestment of distributions	637,112	1,568,085
Amounts paid on redemption of redeemable units	(21,092,126)	(31,479,527)
	20,201,418	(21,406,917)
Distributions paid from:		
Net investment income	(304,965)	(1,954,194)
Realized gains on sale of investments	(100,031)	-
Return of capital	(587,676)	(100,245)
	(992,672)	(2,054,439)
Balance, end of year	\$ 47,923,527	\$ 27,364,366
Class F1	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	-	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	5,000	-
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 5,000	\$ -
Class I	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	-	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	5,000	-
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 5,000	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER ENHANCED INCOME FUND

(formerly Vertex Enhanced Income Fund)

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class N		2019	2018
Balance, beginning of year	\$	-	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units		-	-
Unit transactions:			
Proceeds from issue of redeemable units		5,000	-
Issued on reinvestment of distributions		-	-
Amounts paid on redemption of redeemable units		-	-
		5,000	-
Distributions paid from:			
Net investment income		-	-
Realized gains on sale of investments		-	-
Return of capital		-	-
		-	-
Balance, end of year	\$	5,000	\$ -
Class O		2019	2018
Balance, beginning of year	\$	-	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units		-	-
Unit transactions:			
Proceeds from issue of redeemable units		5,000	-
Issued on reinvestment of distributions		-	-
Amounts paid on redemption of redeemable units		-	-
		5,000	-
Distributions paid from:			
Net investment income		-	-
Realized gains on sale of investments		-	-
Return of capital		-	-
		-	-
Balance, end of year	\$	5,000	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER ENHANCED INCOME FUND

(formerly Vertex Enhanced Income Fund)

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	Notes	2019	2018
Cash provided by (used in):			
Operating:			
Increase (decrease) in net assets attributable to holders of redeemable units		\$ 1,494,807	\$ (3,826,847)
Adjustments for:			
Dividend income		(616,993)	(841,616)
Interest income		(758,271)	(3,049,767)
Foreign exchange (gain) loss		31,551	(4,967)
Net realized (gain) loss on sale of investments		3,968,322	13,221,979
Net change in unrealized (appreciation) depreciation of investments		(4,705,918)	(6,680,249)
Derivative assets and liabilities		(384,651)	-
Accrued expenses		524,568	-
Management and administration fees payable		(16,738)	(50,967)
		(463,323)	(1,232,434)
Proceeds on disposal of investments		61,031,136	62,583,102
Amounts paid on purchase of investments		(41,100,991)	(31,661,576)
Dividends received		589,570	872,193
Interest received		1,516,544	3,042,976
		21,572,936	33,604,261
Financing:			
Proceeds from issue of redeemable units		3,364,225	9,804,513
Amounts paid on redemption of redeemable units		(28,309,167)	(44,227,583)
Distribution paid to unitholders		(505,030)	(747,968)
Cash received on merger		7,418,003	-
		(18,031,969)	(35,171,038)
Net increase (decrease) in cash		3,540,967	(1,566,777)
Cash, beginning of year		1,772,286	3,334,096
Effect of exchange rate fluctuations on cash		(31,551)	4,967
Cash, end of year		\$ 5,281,702	\$ 1,772,286

Subsequent events

13

The accompanying notes are an integral part of these financial statements.

PENDER ENHANCED INCOME FUND

(formerly Vertex Enhanced Income Fund)

Schedule of Investment Portfolio

December 31, 2019

	Number of shares	Cost	Fair value
Mutual Funds:			
Pender Corporate Bond Fund, Class 'O'	1,579,431	\$ 17,106,105	\$ 17,171,729
Pender Small Cap Opportunities Fund, Class 'O'	50,918	1,200,000	1,220,092
Total Mutual Funds (27.8%)		18,306,105	18,391,821
Equities:			
Communication services (1.9%):			
Baidu, Inc., ADR	5,900	978,181	968,407
Corus Entertainment Inc., Class 'B'	56,900	313,519	302,708
		1,291,700	1,271,115
Consumer discretionary (8.6%):			
A&W Revenue Royalties Income Fund	42,600	1,648,620	1,643,508
Diversified Royalty Corp.	1,295,610	4,029,348	4,068,215
		5,677,968	5,711,723
Consumer staples (1.7%):			
Better Choice Co. Inc.	128,206	295,887	449,501
Better Choice Company Inc., Subscription Receipts	166,667	384,651	584,349
MAV Beauty Brands Inc.	29,000	108,912	117,450
		789,450	1,151,300
Diversified financials (14.3%):			
Brookfield Asset Management Inc., Class 'A'	25,800	1,964,741	1,935,774
Brookfield Business Partners L.P.	35,280	1,890,655	1,895,594
Canaccord Genuity Growth II Corp., Class 'A'	86,000	251,120	257,140
Community Vehicle Financing & Leasing Inc.	153	8	-
Fiera Capital Corporation	54,900	626,409	642,879
Guardian Capital Group Ltd., Class 'A'	126,321	3,336,138	3,391,719
Jack Cooper Enterprises Inc.	1,410	18	-
KKR & Co. Inc.	17,100	653,189	647,726
Onex Corporation	7,500	625,759	616,275
Rubix Lending Co. Inc., Class 'B'	698	7	7
		9,348,044	9,387,114
Energy (17.5%):			
ARC Resources Ltd.	81,200	638,232	664,216
Artis Exploration Ltd.	183,200	503,800	549,600
CBM Asia Development Corp.	4,166,667	417	417
Enbridge Inc.	30,885	1,561,854	1,594,593
Lilis Energy Inc.	2,925,000	535,805	1,443,338
Petroshale Inc.	8,979,559	5,387,736	5,836,713
Pres Initial Capital Aggregator LLC	12,660,000	896,946	2
Razor Energy Corp.	260,000	260,000	257,400
Return Energy Inc.	25,000,000	250,000	1,250,000
		10,034,790	11,596,279
Health care (0.3%):			
Franchise Cannabis Corp.	250,000	182,500	182,500
Mjardin Group Inc.	52,215	10,182	12,009
		192,682	194,509
Industrials (1.0%):			
3 Sixty Risk Solutions Ltd.	44,125	2,206	1,986
Exchange Income Corporation	14,300	655,958	639,067
		658,164	641,053

The accompanying notes are an integral part of these financial statements.

PENDER ENHANCED INCOME FUND

(formerly Vertex Enhanced Income Fund)

Schedule of Investment Portfolio (continued)

December 31, 2019

	Dividend rate / Interest rate	Maturity date	Issue currency	Number of shares / face value	Cost	Fair value
Equities (continued):						
Materials (4.1%):						
Benchmark Metals Inc.				293,000	108,410	109,875
CCL Industries Inc., Class 'B'				35,200	1,962,849	1,947,264
Core Gold Inc.				2,975,799	726,095	624,918
					2,797,354	2,682,057
Real estate (11.0%):						
Brookfield Property Partners L.P.				122,709	2,980,946	2,911,885
Colony Capital, Inc.				68,900	441,523	424,983
Cominar REIT				132,000	1,845,360	1,869,120
Dream Industrial REIT				158,773	2,062,216	2,086,277
					7,330,045	7,292,265
Total equities (60.4%)					\$ 38,120,197	\$ 39,927,415
Preferred shares (2.8%):						
Community Vehicle						
Financing & Leasing Inc., Series '1'	6.00%			23,400	2,049,148	962,442
SLM Corp., Series 'B'	Variable			618	55,026	43,135
Vision Critical						
Communications Inc., Class 'B2-1'	8.00%			419,699	877,171	877,171
Total preferred shares (2.8%)					2,981,345	1,882,748
Corporate bonds (2.3%):						
Agawa Investments Ltd.	10.00%	2025/08/07	CAD	880,000	610,368	620,048
Energold Drilling Corp., Series 'B'	0.00%	2022/06/14	CAD	250,000	250,000	39,325
Golf Town Canada	10.50%	2018/07/24	CAD	900,000	893,371	-
Intermap Technologies Corp.	0.00%	2020/09/01	USD	31,910,419	795,377	783,165
Intermap Technologies Corp.	15.00%	2020/09/01	USD	2,000,000	49,851	49,085
Quicksilver Resources Inc.	11.00%	2021/07/01	USD	2,000,000	2,294,008	5,194
Source Energy Services Ltd.	10.50%	2021/12/15	CAD	100,000	105,750	50,500
Stornoway Diamond Corp.	6.25%	2021/07/08	USD	450,000	460,750	1,169
Total corporate bonds (2.3%)					5,459,475	1,548,486

The accompanying notes are an integral part of these financial statements.

PENDER ENHANCED INCOME FUND

Schedule of Investment Portfolio (continued)

December 31, 2019

	Exercise price	Expiry date	Issue currency	Number of units	Cost	Fair value
Warrants (0.0%):						
48North Cannabis Corp.	1.72	2024/04/02	CAD	72,500	-	-
Affinion Group Holdings Inc.	67.12	2024/04/10	USD	1,858	551,891	-
Altair Resources Inc.	0.26	2020/04/18	CAD	3,333,335	333	3
Better Choice Co. Inc.	4.25	2021/05/06	USD	166,667	-	-
Bravada Gold Corp.	0.15	2020/11/22	CAD	1,000,000	-	1
Canadian International Oil Corp.	3.50	2026/05/02	CAD	596,000	-	-
Cobalt Power Group Inc.	0.35	2020/03/07	CAD	57,500	-	-
Delphi Energy Corp.	2.23	2023/04/15	CAD	140,000	-	1,400
Jack Cooper Enterprises Inc.	0.01	2027/04/26	USD	4,008	-	-
Jade Power Trust	0.80	2020/01/08	CAD	4,208,333	-	-
Jervois Mining Ltd.	0.80	2020/01/17	CAD	100,000	-	-
Kutcho Copper Corp.	1.00	2020/12/14	CAD	115,500	-	-
PolyMet Mining Corp.	1.00	2021/10/18	USD	833,350	1	1
Pres Initial Capital Aggregator LLC	0.39	2022/05/01	USD	2,094,136	-	-
S&W Seed Co.	4.32	2020/06/30	USD	200,000	-	-
Sherritt International Corp.	0.74	2021/07/29	CAD	16,865	-	-
Sport Endurance Inc.	3.90	2020/12/10	USD	64,102	-	-
Tower Resources Ltd.	0.22	2022/04/06	CAD	625,000	-	1
Versus Systems Inc.	0.40	2020/04/11	CAD	250,000	-	-
Total warrants (0.0%)					552,225	1,406
Less: Transaction costs included in cost of investments					(8,859)	
Total investments (93.3%)					\$ 65,410,488	\$ 61,751,876
Cash (8.0%)						\$ 5,281,702
Other assets less liabilities (-1.3%)						(846,403)
Total net assets attributable to holders of redeemable units (100.0%)						\$ 66,187,175

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Financial Position

December 31, 2019 and 2018

	Notes	2019	2018
Assets			
Cash		\$ 14,020,010	\$ 1,853,452
Interest receivable		259,715	160,666
Receivable for investments sold		213,699	-
Dividends receivable		109,972	120,066
Subscriptions receivable		-	361,241
Other receivable		-	15,754
Investments		186,568,067	156,272,923
		201,171,463	158,784,102
Liabilities			
Management and administration fees payable	4	218,589	170,749
Distributions payable to holders of redeemable units		31,259	38,001
Accrued expenses		1,040	982
Redemptions payable to holders of redeemable units		-	179,959
		250,888	389,691
Net assets , attributable to holders of redeemable units		\$ 200,920,575	\$ 158,394,411
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 28,865,644	\$ 30,867,470
Class B		11,045,160	735,163
Class E		1,458,571	-
Class F		72,426,505	74,395,389
Class G		24,602,219	2,350,683
Class I		13,326,742	10,805,754
Class N		40,783,897	32,721,825
Class O		8,411,837	6,518,127
		\$ 200,920,575	\$ 158,394,411
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 23.84	\$ 22.77
Class B		8.77	8.59
Class E		10.03	-
Class F		24.06	22.75
Class G		9.12	8.64
Class I		11.34	10.74
Class N		10.58	9.94
Class O		24.23	22.60

Subsequent events

13

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr"

Director

"Felix Narhi"

Director

PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Comprehensive Income

Years ended December 31, 2019 and 2018

	Notes	2019	2018
Revenue:			
Dividend income		\$ 2,439,816	\$ 2,194,601
Interest for distribution purposes		764,068	435,304
Securities lending income	5	234,832	272,152
Foreign exchange gain (loss)		(148,843)	398,660
Changes in fair value of investments:			
Net realized gain (loss)		15,021,274	14,058,959
Net change in unrealized appreciation (depreciation)		17,702,788	(40,831,038)
Total revenue		36,013,935	(23,471,362)
Expenses:			
Management fees	4	1,846,509	1,867,938
Administration fees	4	913,249	906,204
Transaction costs		417,720	371,413
Independent review committee fees		4,495	2,849
Withholding taxes (recovery)	6	4,339	833
Other taxes (recovery)		(42,462)	(51,818)
Total expenses		3,143,850	3,097,419
Less: expenses absorbed by the Manager		(4,495)	(2,849)
Net expenses		3,139,355	3,094,570
Increase (decrease) in net assets attributable to holders of redeemable units		\$ 32,874,580	\$ (26,565,932)
Increase (decrease) in net assets attributable to holders of redeemable units per class:			
Class A		\$ 5,292,504	\$ (5,901,321)
Class B		934,867	(6,098)
Class E		138,736	-
Class F		13,853,658	(12,508,928)
Class G		2,252,808	(108,890)
Class I		2,199,510	(1,675,328)
Class N		6,761,278	(5,601,407)
Class O		1,441,219	(763,960)
		\$ 32,874,580	\$ (26,565,932)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:			
Class A		\$ 4.33	\$ (3.93)
Class B		1.29	(0.71)
Class E		1.99	-
Class F		4.67	(3.58)
Class G		1.28	(3.27)
Class I		2.12	(2.12)
Class N		1.85	(1.64)
Class O		4.92	(3.21)

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2019 and 2018

Class A	2019	2018
Balance, beginning of year	\$ 30,867,470	\$ 43,406,940
Increase (decrease) in net assets attributable to holders of redeemable units	5,292,504	(5,901,321)
Unit transactions		
Proceeds from issue of redeemable units	12,778	9,504
Issued on reinvestment of distributions	3,377,592	4,456
Amounts paid on redemption of redeemable units	(7,275,320)	(6,648,683)
	(3,884,950)	(6,634,723)
Distributions paid from:		
Net investment income	(2,670)	(3,426)
Realized gains on sale of investments	(3,406,710)	-
Return of capital	-	-
	(3,409,380)	(3,426)
Balance, end of year	\$ 28,865,644	\$ 30,867,470
Class B	2019	2018
Balance, beginning of year	\$ 735,163	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	934,867	(6,098)
Unit transactions		
Proceeds from issue of redeemable units	14,621,842	741,274
Issued on reinvestment of distributions	1,152,999	-
Amounts paid on redemption of redeemable units	(5,222,471)	-
	10,552,370	741,274
Distributions paid from:		
Net investment income	-	(13)
Realized gains on sale of investments	(1,177,240)	-
Return of capital	-	-
	(1,177,240)	(13)
Balance, end of year	\$ 11,045,160	\$ 735,163
Class E	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	138,736	-
Unit transactions		
Proceeds from issue of redeemable units	1,344,239	-
Issued on reinvestment of distributions	152,780	-
Amounts paid on redemption of redeemable units	(24,404)	-
	1,472,615	-
Distributions paid from:		
Net investment income	(4,509)	-
Realized gains on sale of investments	(148,271)	-
Return of capital	-	-
	(152,780)	-
Balance, end of year	\$ 1,458,571	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class F	2019	2018
Balance, beginning of year	\$ 74,395,389	\$ 97,266,295
Increase (decrease) in net assets attributable to holders of redeemable units	13,853,658	(12,508,928)
Unit transactions		
Proceeds from issue of redeemable units	1,058,546	1,916,437
Issued on reinvestment of distributions	7,718,504	128,190
Amounts paid on redemption of redeemable units	(15,908,597)	(12,284,857)
	(7,131,547)	(10,240,230)
Distributions paid from:		
Net investment income	(116,336)	(121,748)
Realized gains on sale of investments	(8,574,659)	-
Return of capital	-	-
	(8,690,995)	(121,748)
Balance, end of year	\$ 72,426,505	\$ 74,395,389

Class G	2019	2018
Balance, beginning of year	\$ 2,350,683	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	2,252,808	(108,890)
Unit transactions		
Proceeds from issue of redeemable units	22,238,162	4,411,815
Issued on reinvestment of distributions	2,432,722	-
Amounts paid on redemption of redeemable units	(1,841,269)	(1,952,229)
	22,829,615	2,459,586
Distributions paid from:		
Net investment income	(3,239)	(13)
Realized gains on sale of investments	(2,827,648)	-
Return of capital	-	-
	(2,830,887)	(13)
Balance, end of year	\$ 24,602,219	\$ 2,350,683

Class I	2019	2018
Balance, beginning of year	\$ 10,805,754	\$ 5,347,136
Increase (decrease) in net assets attributable to holders of redeemable units	2,199,510	(1,675,328)
Unit transactions		
Proceeds from issue of redeemable units	684,254	7,259,264
Issued on reinvestment of distributions	1,590,478	7,391
Amounts paid on redemption of redeemable units	(364,310)	(124,022)
	1,910,422	7,142,633
Distributions paid from:		
Net investment income	(8,513)	(8,687)
Realized gains on sale of investments	(1,580,431)	-
Return of capital	-	-
	(1,588,944)	(8,687)
Balance, end of year	\$ 13,326,742	\$ 10,805,754

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class N	2019	2018
Balance, beginning of year	\$ 32,721,825	\$ 36,673,297
Increase (decrease) in net assets attributable to holders of redeemable units	6,761,278	(5,601,407)
Unit transactions		
Proceeds from issue of redeemable units	14,541,621	10,608,387
Issued on reinvestment of distributions	4,183,382	303
Amounts paid on redemption of redeemable units	(12,762,933)	(8,958,511)
	5,962,070	1,650,179
Distributions paid from:		
Net investment income	(5,153)	(244)
Realized gains on sale of investments	(4,656,123)	-
Return of capital	-	-
	(4,661,276)	(244)
Balance, end of year	\$ 40,783,897	\$ 32,721,825
Class O	2019	2018
Balance, beginning of year	\$ 6,518,127	\$ 6,916,501
Increase (decrease) in net assets attributable to holders of redeemable units	1,441,219	(763,960)
Unit transactions		
Proceeds from issue of redeemable units	1,710,001	1,468,582
Issued on reinvestment of distributions	842,790	-
Amounts paid on redemption of redeemable units	(1,257,510)	(1,102,996)
	1,295,281	365,586
Distributions paid from:		
Net investment income	(2,943)	-
Realized gains on sale of investments	(839,847)	-
Return of capital	-	-
	(842,790)	-
Balance, end of year	\$ 8,411,837	\$ 6,518,127

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 32,874,580	\$ (26,565,932)
Adjustments for:		
Dividend income	(2,439,816)	(2,194,601)
Interest for distribution purposes	(764,068)	(435,304)
Foreign exchange (gain) loss	148,843	(398,660)
Net realized (gain) loss on sale of investments	(15,021,274)	(14,058,959)
Net change in unrealized (appreciation) depreciation of investments	(17,702,788)	40,831,038
Management and administration fees payable	47,840	(34,725)
Accrued expenses	58	(982)
Other receivable	15,754	25,680
	(2,840,871)	(2,832,445)
Proceeds on disposal of investments	104,847,785	94,568,134
Amounts paid on purchase of investments	(102,632,566)	(114,340,536)
Dividends received	2,449,910	2,245,775
Interest received	665,019	382,412
	2,489,277	(19,976,660)
Financing:		
Proceeds from issue of redeemable units	53,563,897	16,210,654
Cash received on merger	-	544,940
Amounts paid on redemption of redeemable units	(41,827,985)	(27,669,770)
Distributions paid to unitholders	(1,909,788)	-
	9,826,124	(10,914,176)
Net increase (decrease) in cash	12,315,401	(30,890,836)
Cash, beginning of year	1,853,452	32,345,628
Effect of exchange rate fluctuations on cash	(148,843)	398,660
Cash, end of year	\$ 14,020,010	\$ 1,853,452

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Schedule of Investment Portfolio

December 31, 2019

	Number of shares	Cost	Fair value
Equities:			
Communications services (8.6%):			
Corus Entertainment Inc.	1,107,475	\$ 6,012,601	\$ 5,891,767
Mediagrif Interactive Technologies Inc.	399,000	4,148,949	2,757,090
TeraGo Inc.	421,900	2,117,470	3,746,472
Trilogy International Partners Inc.	1,522,300	3,318,026	3,120,715
Wow Unlimited Media Inc.	3,152,800	3,009,501	1,686,748
		18,606,547	17,202,792
Consumer discretionary (19.1%):			
Aritzia Inc.	320,700	4,836,620	6,109,335
Avante Logixx Inc.	2,108,700	2,591,434	3,141,963
Diversified Royalty Corp.	2,823,058	7,720,647	8,864,401
Freshii Inc.	2,112,981	9,703,823	4,606,299
Indigo Books & Music Inc.	546,495	7,414,574	2,377,253
Leaf Group Ltd.	407,643	3,875,969	2,117,379
Points International Ltd.	195,857	2,610,668	3,881,886
Real Matters Inc.	300,200	1,356,511	3,698,464
Uni-Select Inc.	330,194	4,437,248	3,760,910
		44,547,494	38,557,890
Consumer staples (3.1%):			
GreenSpace Brands Inc.	6,974,067	6,099,353	627,666
MAV Beauty Brands Inc.	1,397,709	7,589,851	5,660,721
		13,689,204	6,288,387
Diversified financials (6.0%):			
Chesswood Group Limited	424,100	4,799,654	4,321,579
Crown Capital Partners Inc.	274,179	2,630,267	2,081,019
Deans Knight Income Corp.	3,000	1,200	1,200
Fiera Capital Corporation	362,391	4,229,697	4,243,599
GMP Capital Inc.	749,800	1,674,656	1,447,114
		13,335,474	12,094,511
Energy (8.7%):			
Athabasca Oil Corporation	6,599,500	7,563,014	3,893,705
Leucrotta Exploration Inc.	3,182,800	3,977,958	2,355,272
PetroShale Inc.	45,000	21,482	29,250
Questor Technology Inc.	510,200	1,026,118	2,530,592
Strad Inc.	1,213,100	1,817,796	2,183,580
TerraVest Industries Inc.	497,400	3,182,916	6,466,200
		17,589,284	17,458,599
Health care (3.9%):			
Clarius Mobile Health Corp., Preferred, Series '1'	1,123,596	1,000,000	1,000,000
Hamilton Thorne Ltd.	2,484,700	2,614,955	2,584,088
Medexus Pharmaceuticals Inc.	77,400	394,740	304,956
Medicure Inc.	680,987	2,808,486	2,996,343
Vigil Health Solutions Inc.	1,589,000	227,433	532,315
Waverley Pharma Inc.	4,000,000	281,400	280,000
WELL Health Technologies Corp.	63,100	93,221	98,436
		7,420,235	7,796,138
Industrials (5.6%):			
Bay Talent Group Inc.	500,000	250,000	200,000
exactEarth Ltd.	626,552	702,766	169,169
INSCAPE Corp., Class 'B'	1,082,740	3,358,761	871,606
Maxar Technologies Inc.	295,361	2,213,705	6,013,550
PFB Corporation	176,300	1,888,313	2,330,686
RediShred Capital Corp.	1,758,900	1,351,469	1,583,010
		9,765,014	11,168,021

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Schedule of Investment Portfolio (continued)

December 31, 2019

	Number of shares	Cost	Fair value
Equities (continued):			
Information technology (24.9%):			
Absolute Software Corporation	212,398	1,427,650	1,847,863
AgJunction Inc.	5,158,600	3,086,457	1,728,131
C-COM Satellite Systems Inc.	16,600	26,635	27,888
Cloudera, Inc.	291,900	2,106,902	4,408,314
eGain Corporation	470,246	5,033,313	4,836,253
LiveTiles Limited	5,117,600	2,574,356	1,282,449
Martello Technologies Group Inc.	1,667,000	500,100	500,100
NexJ Systems Inc.	779,400	2,432,377	662,490
PAR Technology Corporation	95,600	3,138,025	3,816,106
Photon Control Inc.	1,842,900	2,015,934	2,543,202
ProntoForms Corporation	9,027,067	3,750,906	5,100,293
Qumu Corporation	500,000	1,647,125	1,694,608
Quorum Information Technologies Inc.	3,855,797	2,378,868	4,961,396
Redline Communications Group Inc.	1,719,911	4,439,069	2,063,893
Sangoma Technologies Corporation	4,076,360	3,949,047	10,150,135
Sylogist Ltd.	17,559	175,753	172,956
Tantalus Systems Corp., Preferred, Class 'D'	294,392	910,536	2,752,124
Upland Software, Inc.	35,586	993,856	1,650,166
		40,586,909	50,198,367
Insurance (1.9%):			
Trisura Group Ltd.	94,800	2,605,292	3,817,596
		2,605,292	3,817,596
Materials (1.5%):			
Synalloy Corporation	182,917	3,845,842	3,066,472
		3,845,842	3,066,472
Real estate (2.1%):			
Dream Unlimited Corp., Class 'A'	353,500	2,745,100	4,135,950
		2,745,100	4,135,950
Utilities (3.3%):			
Maxim Power Corp.	1,892,400	5,067,014	3,444,168
Polaris Infrastructure Inc.	261,613	3,018,933	3,204,759
		8,085,947	6,648,927
Total equities (88.7%)		\$ 182,822,342	\$ 178,433,650

The accompanying notes are an integral part of these financial statements.

PENDER SMALL CAP OPPORTUNITIES FUND

Schedule of Investment Portfolio (continued)

December 31, 2019

	Interest rate / exercise price	Maturity / expiry date	Issue currency	Face value / Number of units	Cost	Fair value
Corporate bonds:						
Corporate bonds (3.6%):						
exactEarth Ltd.	9.00%	2023/12/13	CAD	2,500,000	2,501,845	2,500,000
Good Natured Products Inc.	10.00%	2022/02/28	CAD	2,700,000	2,700,000	2,700,000
Siyata Mobile Inc.	12.00%	2021/12/23	CAD	2,105,000	2,000,000	1,999,750
Total corporate bonds (3.6%)					7,201,845	7,199,750
Warrants:						
Warrants (0.5%):						
Bay Talent Group Inc.	0.70	2021/12/18	CAD	250,000	\$ -	\$ -
BeWhere Holdings Inc.	0.35	2024/02/15	CAD	15,500	388	-
Energy Fuels Inc.	2.45	2021/09/20	CAD	200,000	-	188,000
Good Natured Products Inc.	0.10	2022/02/28	CAD	9,333,332	-	746,667
Medexus Pharmaceuticals Inc.	4.80	2023/10/16	CAD	98,038	126	-
Siyata Mobile Inc.	0.45	2022/12/23	CAD	2,105,000	-	-
Total warrants (0.5%)					514	934,667
Less: Transaction costs included in cost of investments					(537,322)	
Total investments (92.8%)					\$ 189,487,379	\$ 186,568,067
Cash (7.0%)						\$ 14,020,010
Other assets less liabilities (0.2%)						332,498
Total net assets attributable to holders of redeemable units (100.0%)						\$ 200,920,575

The accompanying notes are an integral part of these financial statements.

PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Financial Position

December 31, 2019 and 2018

	Notes	2019	2018
Assets			
Cash		\$ 206,218	\$ 633,869
Dividends receivable		19,191	24,476
Other receivables		1,571	2,446
Subscriptions receivable		-	495
Investments		12,397,963	14,171,957
		12,624,943	14,833,243
Liabilities			
Management and administration fees payable	4	20,081	20,136
Redemptions payable		1,000	-
Accrued expenses		273	210
Payable for investments purchased		-	367,301
Distributions payable to holders of redeemable units		-	2,735
		21,354	390,382
Net assets , attributable to holders of redeemable units		\$ 12,603,589	\$ 14,442,861
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 7,665,409	\$ 8,503,116
Class D		21,714	35,613
Class E		75,926	-
Class F		3,287,412	4,375,544
Class H		582,383	205,637
Class I		963,659	1,317,043
Class O		7,086	5,908
		\$ 12,603,589	\$ 14,442,861
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 12.90	\$ 11.09
Class D		11.00	9.44
Class E		10.74	-
Class F		13.09	11.26
Class H		9.54	8.22
Class I		9.67	8.30
Class O		11.61	10.00

Subsequent events 13

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr" Director "Felix Narhi" Director

PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Comprehensive Income

Years ended December 31, 2019 and 2018

	Notes	2019	2018
Revenue:			
Dividend income		\$ 218,759	\$ 208,656
Distributions from underlying funds		174,394	148,930
Interest income		3,378	1,792
Foreign exchange gain (loss)		881	18,524
Securities lending income	5	34,392	28,157
Changes in fair value of investments:			
Net realized gain (loss)		453,164	400,789
Net change in unrealized appreciation (depreciation)		1,688,751	(1,811,519)
Total revenue		2,573,719	(1,004,671)
Expenses:			
Management fees	4	186,756	208,136
Administration fees	4	69,256	77,316
Transaction costs		13,592	9,524
Withholding taxes (recovery)	6	12,919	12,140
Independent review committee fees		285	263
Other taxes (recovery)		(735)	(1,087)
Total expenses		282,073	306,292
Less expenses absorbed by the Manager		(285)	(263)
Net expenses		281,788	306,029
Increase (decrease) in net assets attributable to holders of redeemable units		\$ 2,291,931	\$ (1,310,700)
Increase (decrease) in net assets attributable to holders of redeemable units per class:			
Class A		\$ 1,321,213	\$ (862,358)
Class D		5,453	(3,751)
Class E		3,994	-
Class F		672,667	(285,899)
Class H		84,867	(22,610)
Class I		202,559	(135,650)
Class O		1,178	(432)
		\$ 2,291,931	\$ (1,310,700)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:			
Class A		\$ 1.94	\$ (1.14)
Class D		1.66	(1.37)
Class E		1.15	-
Class F		2.16	(0.79)
Class H		1.26	(2.55)
Class I		1.64	(1.22)
Class O		1.97	(0.78)

The accompanying notes are an integral part of these financial statements.

PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2019 and 2018

Class A	2019	2018
Balance, beginning of year	\$ 8,503,116	\$ 9,827,861
Increase (decrease) in net assets attributable to holders of redeemable units	1,321,213	(862,358)
Unit transactions:		
Proceeds from issue of redeemable units	491,828	1,798,323
Issued on reinvestment of distributions	62,857	420,801
Amounts paid on redemption of redeemable units	(2,647,288)	(2,215,309)
	(2,092,603)	3,815
Distributions paid from:		
Net investment income	(62,274)	(20,708)
Realized gains on sale of investments	(4,043)	(445,494)
Return of capital	-	-
	(66,317)	(466,202)
Balance, end of year	\$ 7,665,409	\$ 8,503,116
Class D	2019	2018
Balance, beginning of year	\$ 35,613	\$ 19,784
Increase (decrease) in net assets attributable to holders of redeemable units	5,453	(3,751)
Unit transactions:		
Proceeds from issue of redeemable units	5,200	28,606
Issued on reinvestment of distributions	360	2,132
Amounts paid on redemption of redeemable units	(24,468)	(8,380)
	(18,908)	22,358
Distributions paid from:		
Net investment income	(444)	(473)
Realized gains on sale of investments	-	(2,305)
Return of capital	-	-
	(444)	(2,778)
Balance, end of year	\$ 21,714	\$ 35,613
Class E	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	3,994	-
Unit transactions:		
Proceeds from issue of redeemable units	71,932	-
Issued on reinvestment of distributions	946	-
Amounts paid on redemption of redeemable units	-	-
	72,878	-
Distributions paid from:		
Net investment income	(834)	-
Realized gains on sale of investments	(112)	-
Return of capital	-	-
	(946)	-
Balance, end of year	\$ 75,926	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class F	2019	2018
Balance, beginning of year	\$ 4,375,544	\$ 11,418,974
Increase (decrease) in net assets attributable to holders of redeemable units	672,667	(285,899)
Unit transactions:		
Proceeds from issue of redeemable units	398,037	1,992,257
Issued on reinvestment of distributions	51,631	221,216
Amounts paid on redemption of redeemable units	(2,146,651)	(8,707,426)
	(1,696,983)	(6,493,953)
Distributions paid from:		
Net investment income	(63,816)	(42,036)
Realized gains on sale of investments	-	(221,542)
Return of capital	-	-
	(63,816)	(263,578)
Balance, end of year	\$ 3,287,412	\$ 4,375,544
Class H	2019	2018
Balance, beginning of year	\$ 205,637	\$ 5,066
Increase (decrease) in net assets attributable to holders of redeemable units	84,867	(22,610)
Unit transactions:		
Proceeds from issue of redeemable units	408,374	223,182
Issued on reinvestment of distributions	3,501	14,584
Amounts paid on redemption of redeemable units	(112,308)	-
	299,567	237,766
Distributions paid from:		
Net investment income	(7,200)	(3,949)
Realized gains on sale of investments	(488)	(10,636)
Return of capital	-	-
	(7,688)	(14,585)
Balance, end of year	\$ 582,383	\$ 205,637
Class I	2019	2018
Balance, beginning of year	\$ 1,317,043	\$ 5,088
Increase (decrease) in net assets attributable to holders of redeemable units	202,559	(135,650)
Unit transactions:		
Proceeds from issue of redeemable units	142,367	1,500,831
Issued on reinvestment of distributions	13,460	58,187
Amounts paid on redemption of redeemable units	(692,496)	(15,816)
	(536,669)	1,543,202
Distributions paid from:		
Net investment income	(19,274)	(25,958)
Realized gains on sale of investments	-	(69,639)
Return of capital	-	-
	(19,274)	(95,597)
Balance, end of year	\$ 963,659	\$ 1,317,043

The accompanying notes are an integral part of these financial statements.

PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class O		2019		2018
Balance, beginning of year	\$	5,908	\$	6,340
Increase (decrease) in net assets attributable to holders of redeemable units		1,178		(432)
Unit transactions:				
Proceeds from issue of redeemable units		-		-
Issued on reinvestment of distributions		217		459
Amounts paid on redemption of redeemable units		-		-
		217		459
Distributions paid from:				
Net investment income		(205)		(154)
Realized gains on sale of investments		(12)		(305)
Return of capital		-		-
		(217)		(459)
Balance, end of year	\$	7,086	\$	5,908

The accompanying notes are an integral part of these financial statements.

PENDER STRATEGIC GROWTH AND INCOME FUND

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 2,291,931	\$ (1,310,700)
Adjustments for:		
Dividend income	(218,759)	(208,656)
Distributions received from underlying funds	(174,394)	(148,930)
Interest income	(3,378)	(1,792)
Foreign exchange (gain) loss	(881)	(18,524)
Net realized (gain) loss on sale of investments	(453,164)	(400,789)
Net change in unrealized (appreciation) depreciation of investments	(1,688,751)	1,811,519
Other receivables	875	(2,215)
Accrued expenses	63	210
Management and administration fees payable	(55)	(8,819)
	(246,513)	(288,696)
Proceeds on disposal of investments	10,346,683	9,329,193
Amounts paid on purchase of investments	(6,798,075)	(3,956,010)
Dividends received	224,044	214,803
Distributions received from underlying funds	174,394	148,930
Interest received	3,378	1,792
	3,703,911	5,450,012
Financing:		
Proceeds from issue of redeemable units	780,463	4,257,514
Amounts paid on redemption of redeemable units	(4,884,441)	(9,641,741)
Distributions paid to unitholders	(28,465)	(125,365)
	(4,132,443)	(5,509,592)
Net increase (decrease) in cash	(428,532)	(59,580)
Cash, beginning of year	633,869	674,925
Effect of exchange rate fluctuations on cash	881	18,524
Cash, end of year	\$ 206,218	\$ 633,869

The accompanying notes are an integral part of these financial statements.

PENDER STRATEGIC GROWTH AND INCOME FUND

Schedule of Investment Portfolio

December 31, 2019

	Number of shares	Cost	Fair value
Mutual funds:			
Pender Corporate Bond Fund, Class 'O'	475,768	\$ 4,980,274	\$ 5,172,597
Pender Small Cap Opportunities Fund, Class 'O'	27,940	649,954	669,490
Total Mutual Funds (46.4%)		5,630,228	5,842,087
Equities:			
Communication services (4.1%):			
Baidu, Inc., ADR	1,300	302,181	213,378
Corus Entertainment Inc., Class 'B'	24,100	127,831	128,212
Mediagrif Interactive Technologies Inc.	25,900	188,892	178,969
		618,904	520,559
Consumer discretionary (9.4%):			
Diversified Royalty Corp.	141,693	419,482	444,916
Hanesbrands Inc.	7,700	193,486	148,483
Starbucks Corporation	2,700	180,249	308,255
Wynn Resorts, Limited	1,600	214,369	288,527
		1,007,586	1,190,181
Consumer staples (2.7%):			
MAV Beauty Brands Inc.	83,501	388,621	338,179
		388,621	338,179
Diversified financials (17.6%):			
Brookfield Asset Management Inc., Class 'A'	6,700	310,920	502,701
Brookfield Office Properties Inc.	7,600	140,652	161,880
Chesswood Group Limited	21,900	197,369	223,161
Fiera Capital Corporation	19,400	195,387	227,174
KKR & Co. Inc.	11,600	386,201	439,393
Onex Corporation	4,100	334,208	336,897
Starwood Property Trust, Inc.	9,850	267,002	317,977
		1,831,739	2,209,183
Energy (4.6%):			
ARC Resources Ltd.	35,300	278,164	288,754
Husky Energy Inc., Preferred, Series '3', 4.50%	16,700	299,307	291,749
		577,471	580,503
Industrials (1.1%):			
Exchange Income Corporation	3,000	98,833	134,070
		98,833	134,070
Insurance (3.4%):			
Trisura Group Ltd.	10,764	274,401	433,466
		274,401	433,466
Materials (3.2%):			
CCL Industries Inc., Class 'B'	7,400	455,120	409,368
		455,120	409,368

The accompanying notes are an integral part of these financial statements.

PENDER STRATEGIC GROWTH AND INCOME FUND

Schedule of Investment Portfolio (continued)

December 31, 2019

	Number of shares	Cost	Fair value
Equities (continued):			
Real estate (5.9%):			
Brookfield Property Partners L.P.	13,200	315,540	313,236
Colony Capital, Inc.	26,000	204,895	160,371
Dream Unlimited Corp., Class 'A'	22,800	150,409	266,760
		670,844	740,367
Total equities (52.0%)		5,923,519	6,555,876
Less: Transaction costs included in cost of investments		(10,489)	
Total investments (98.4%)		\$ 11,543,258	\$ 12,397,963
Cash (1.6%)			\$ 206,218
Other assets less liabilities (0.0%)			(592)
Total net assets attributable to holders of redeemable units (100.0%)			\$ 12,603,589

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Statements of Financial Position

December 31, 2019 and 2018

	Notes	2019	2018
Assets			
Cash		\$ 1,220,656	\$ 39,039
Other receivable		1,139	347
Subscriptions receivable		-	400
Interest receivable		-	8
Investments		15,445,614	16,720,779
		16,667,409	16,760,573
Liabilities			
Management and administration fees payable	4	18,677	15,357
Distributions payable to holders of redeemable units		924	6,382
Accrued expenses		116	189
		19,717	21,928
Net assets , attributable to holders of redeemable units		\$ 16,647,692	\$ 16,738,645
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 6,196,892	\$ 6,755,623
Class A (USD)		623,214	579,577
Class D		83,697	33,794
Class E		1,089,033	-
Class F		4,288,628	4,241,315
Class F (USD)		101,527	295,152
Class H		222,894	318,134
Class I		159,822	230,765
Class N		5,134	-
Class N (USD)		6,732	-
Class O		3,870,119	4,284,285
		\$ 16,647,692	\$ 16,738,645
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 11.67	\$ 10.22
Class A (USD)		11.38	9.97
Class D		8.89	7.73
Class E		11.11	-
Class F		11.54	10.01
Class F (USD)		11.56	10.04
Class H		9.26	8.09
Class I		9.29	8.05
Class N		10.27	-
Class N (USD)		13.45	-
Class O		9.73	8.34

Subsequent events

13

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr"

Director

"Felix Narhi"

Director

PENDER US ALL CAP EQUITY FUND

Statements of Comprehensive Income

Years ended December 31, 2019 and 2018

	Notes	2019	2018
Revenue:			
Dividend income		\$ 31,426	\$ 97,728
Interest for distribution purposes		9,317	1,226
Securities lending income	5	7,408	5,194
Foreign exchange gain (loss)		4,745	29,253
Changes in fair value of investments:			
Net realized gain (loss)		(382,075)	2,685,279
Net change in unrealized appreciation (depreciation)		3,014,236	(3,424,761)
Total revenue		2,685,057	(606,081)
Expenses:			
Management fees	4	177,069	219,412
Administration fees	4	64,599	64,111
Transaction costs		8,506	10,235
Independent review committee fees	6	381	304
Other taxes (recovery)		-	2,531
Withholding taxes (recovery)		(79)	3,523
Total expenses		250,476	300,116
Less expenses absorbed by the Manager		(381)	(304)
Net expenses		250,095	299,812
Increase (decrease) in net assets attributable to holders of redeemable units		\$ 2,434,962	\$ (905,893)
Increase (decrease) in net assets attributable to holders of redeemable units per class:			
Class A		\$ 909,215	\$ (394,885)
Class A (USD)		81,387	(39,093)
Class D		7,722	(9,125)
Class E		83,213	-
Class F		618,913	(225,730)
Class F (USD)		35,593	(14,613)
Class H		43,391	(21,861)
Class I		30,417	(26,014)
Class N		134	-
Class N (USD)		184	-
Class O		624,793	(174,572)
		\$ 2,434,962	\$ (905,893)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:			
Class A		\$ 1.50	\$ (0.65)
Class A (USD)		1.44	(0.75)
Class D		1.19	(2.75)
Class E		1.53	-
Class F		1.51	(0.59)
Class F (USD)		2.12	(0.31)
Class H		1.36	(0.54)
Class I		1.22	(1.04)
Class N		0.27	-
Class N (USD)		0.37	-
Class O		1.29	(0.39)

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2019 and 2018

Class A	2019	2018
Balance, beginning of year	\$ 6,755,623	\$ 8,215,230
Increase (decrease) in net assets attributable to holders of redeemable units	909,215	(394,885)
Unit transactions:		
Proceeds from issue of redeemable units	138,318	197,075
Issued on reinvestment of distributions	4,265	885,211
Amounts paid on redemption of redeemable units	(1,608,633)	(1,261,092)
	(1,466,050)	(178,806)
Distributions paid from:		
Net investment income	(1,896)	(468,003)
Realized gains on sale of investments	-	(417,913)
Return of capital	-	-
	(1,896)	(885,916)
Balance, end of year	\$ 6,196,892	\$ 6,755,623

Class A (USD)	2019	2018
Balance, beginning of year	\$ 579,577	\$ 655,366
Increase (decrease) in net assets attributable to holders of redeemable units	81,387	(39,093)
Unit transactions:		
Proceeds from issue of redeemable units	-	57,484
Issued on reinvestment of distributions	197	56,743
Amounts paid on redemption of redeemable units	(37,861)	(72,773)
	(37,664)	41,454
Distributions paid from:		
Net investment income	(86)	(40,928)
Realized gains on sale of investments	-	(37,222)
Return of capital	-	-
	(86)	(78,150)
Balance, end of year	\$ 623,214	\$ 579,577

Class D	2019	2018
Balance, beginning of year	\$ 33,794	\$ 18,329
Increase (decrease) in net assets attributable to holders of redeemable units	7,722	(9,125)
Unit transactions:		
Proceeds from issue of redeemable units	71,389	113,824
Issued on reinvestment of distributions	199	4,978
Amounts paid on redemption of redeemable units	(29,318)	(89,276)
	42,270	29,526
Distributions paid from:		
Net investment income	(89)	(2,849)
Realized gains on sale of investments	-	(2,087)
Return of capital	-	-
	(89)	(4,936)
Balance, end of year	\$ 83,697	\$ 33,794

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class E	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	83,213	-
Unit transactions:		
Proceeds from issue of redeemable units	1,005,820	-
Issued on reinvestment of distributions	872	-
Amounts paid on redemption of redeemable units	-	-
	1,006,692	-
Distributions paid from:		
Net investment income	(872)	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	(872)	-
Balance, end of year	\$ 1,089,033	\$ -

Class F	2019	2018
Balance, beginning of year	\$ 4,241,315	\$ 4,764,685
Increase (decrease) in net assets attributable to holders of redeemable units	618,913	(225,730)
Unit transactions:		
Proceeds from issue of redeemable units	198,627	404,472
Issued on reinvestment of distributions	5,657	600,694
Amounts paid on redemption of redeemable units	(771,811)	(687,739)
	(567,527)	317,427
Distributions paid from:		
Net investment income	(4,073)	(352,303)
Realized gains on sale of investments	-	(262,764)
Return of capital	-	-
	(4,073)	(615,067)
Balance, end of year	\$ 4,288,628	\$ 4,241,315

Class F (USD)	2019	2018
Balance, beginning of year	\$ 295,152	\$ 638,737
Increase (decrease) in net assets attributable to holders of redeemable units	35,593	(14,613)
Unit transactions:		
Proceeds from issue of redeemable units	10,133	61,714
Issued on reinvestment of distributions	1,235	38,129
Amounts paid on redemption of redeemable units	(240,586)	(390,691)
	(229,218)	(290,848)
Distributions paid from:		
Net investment income	-	(19,852)
Realized gains on sale of investments	-	(18,272)
Return of capital	-	-
	-	(38,124)
Balance, end of year	\$ 101,527	\$ 295,152

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class H	2019	2018
Balance, beginning of year	\$ 318,134	\$ 352,594
Increase (decrease) in net assets attributable to holders of redeemable units	43,391	(21,861)
Unit transactions:		
Proceeds from issue of redeemable units	-	349,845
Issued on reinvestment of distributions	-	42,452
Amounts paid on redemption of redeemable units	(138,631)	(363,217)
	(138,631)	29,080
Distributions paid from:		
Net investment income	-	(22,021)
Realized gains on sale of investments	-	(19,658)
Return of capital	-	-
	-	(41,679)
Balance, end of year	\$ 222,894	\$ 318,134
Class I	2019	2018
Balance, beginning of year	\$ 230,765	\$ 283,185
Increase (decrease) in net assets attributable to holders of redeemable units	30,417	(26,014)
Unit transactions:		
Proceeds from issue of redeemable units	7,000	110,353
Issued on reinvestment of distributions	7	33,402
Amounts paid on redemption of redeemable units	(108,367)	(136,752)
	(101,360)	7,003
Distributions paid from:		
Net investment income	-	(19,165)
Realized gains on sale of investments	-	(14,244)
Return of capital	-	-
	-	(33,409)
Balance, end of year	\$ 159,822	\$ 230,765
Class N	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	134	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	5,000	-
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 5,134	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class N (USD)	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	184	-
Unit transactions:		
Proceeds from issue of redeemable units	6,548	-
Issued on reinvestment of distributions	7	-
Amounts paid on redemption of redeemable units	-	-
	6,555	-
Distributions paid from:		
Net investment income	(7)	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	(7)	-
Balance, end of year	\$ 6,732	\$ -
Class O	2019	2018
Balance, beginning of year	\$ 4,284,285	\$ 4,700,890
Increase (decrease) in net assets attributable to holders of redeemable units	624,793	(174,572)
Unit transactions:		
Proceeds from issue of redeemable units	-	-
Issued on reinvestment of distributions	-	678,066
Amounts paid on redemption of redeemable units	(1,038,959)	(242,032)
	(1,038,959)	436,034
Distributions paid from:		
Net investment income	-	(414,022)
Realized gains on sale of investments	-	(264,045)
Return of capital	-	-
	-	(678,067)
Balance, end of year	\$ 3,870,119	\$ 4,284,285

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 2,434,962	\$ (905,893)
Adjustments for:		
Dividend income	(31,426)	(97,728)
Interest for distribution purposes	(9,317)	(1,226)
Foreign exchange (gain) loss	(4,745)	(29,253)
Net realized (gain) loss on sale of investments	382,075	(2,685,279)
Net change in unrealized (appreciation) depreciation of investments	(3,014,236)	3,424,761
Other receivable	(792)	(96)
Management and administration fees payable	3,320	(3,076)
Accrued expenses	(73)	189
	(240,232)	(297,601)
Proceeds on disposal of investments	8,429,573	11,675,749
Amounts paid on purchase of investments	(4,522,247)	(9,717,368)
Dividends received	31,426	106,186
Interest received	9,325	1,218
	3,707,845	1,768,184
Financing:		
Proceeds from issue of redeemable units	218,132	820,278
Amounts paid on redemptions of redeemable units	(2,749,063)	(2,766,609)
Distributions paid to unitholders	(42)	(36,178)
	(2,530,973)	(1,982,509)
Net increase (decrease) in cash	1,176,872	(214,325)
Cash, beginning of year	39,039	224,111
Effect of exchange rate fluctuations on cash	4,745	29,253
Cash, end of year	\$ 1,220,656	\$ 39,039

The accompanying notes are an integral part of these financial statements.

PENDER US ALL CAP EQUITY FUND

Schedule of Investment Portfolio

December 31, 2019

	Number of shares	Cost	Fair value
Equities:			
Communication services (30.6%):			
Baidu, Inc., ADR	8,500	\$ 2,025,517	\$ 1,395,162
Liberty Latin America Ltd.	68,648	1,989,671	1,720,457
Zillow Group, Inc.	32,900	1,402,684	1,962,663
		5,417,872	5,078,282
Consumer discretionary (18.9%):			
Despegar.com, Corp.	38,100	812,041	666,920
JD.com, Inc., ADR	39,600	1,556,863	1,811,618
Wynn Resorts, Limited	2,500	338,743	450,824
Yatra Online, Inc.	54,112	358,589	221,341
		3,066,236	3,150,703
Diversified financials (7.5%):			
FRMO Corporation	53,048	299,793	395,403
KKR & Co. Inc.	22,400	632,706	848,483
		932,499	1,243,886
Industrials (13.9%):			
Colfax Corporation	30,617	1,533,857	1,446,385
The Middleby Corporation	3,700	520,052	526,204
Tutor Perini Corporation	20,400	342,877	340,667
		2,396,786	2,313,256
Information technology (7.9%):			
Blackberry Limited	77,300	688,826	644,426
PAR Technology Corporation	17,000	563,715	678,596
		1,252,541	1,323,022
Materials (5.4%):			
Element Solutions Inc.	59,600	1,132,824	903,957
		1,132,824	903,957
Real estate (8.6%):			
The Howard Hughes Corporation	8,700	1,279,890	1,432,508
		1,279,890	1,432,508
Less: Transaction costs included in cost of investments		(9,438)	-
Total investments (92.8%)		\$ 15,469,210	\$ 15,445,614
Cash (7.3%)			\$ 1,220,656
Other assets less liabilities (-0.1%)			(18,578)
Total net assets attributable to holders of redeemable units (100.0%)			\$ 16,647,692

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND

Statements of Financial Position

December 31, 2019 and 2018

	Notes	2019	2018
Assets			
Cash		\$ 26,268,875	\$ 11,632,482
Dividends receivable		193,444	128,310
Subscriptions receivable		141,138	364,033
Interest receivable		12,850	-
Other receivable		-	5,509
Investments		292,331,311	312,660,457
		318,947,618	324,790,791
Liabilities			
Management and administration fees payable	4	400,400	420,655
Redemptions payable to holders of redeemable units		258,151	458,793
Distributions payable to holders of redeemable units		1,172	11,476
Accrued expenses		893	1,019
Payable for investments purchased		-	4,836,420
		660,616	5,728,363
Net assets, attributable to holders of redeemable units		\$ 318,287,002	\$ 319,062,428
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 59,409,586	\$ 62,337,654
Class D		3,254,784	3,604,943
Class E		683,871	-
Class F		144,360,023	161,575,683
Class H		11,561,220	12,341,767
Class I		83,532,012	66,759,913
Class N		5,190	-
Class O		15,480,316	12,442,468
		\$ 318,287,002	\$ 319,062,428
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 18.96	\$ 16.36
Class D		11.32	9.73
Class E		10.88	-
Class F		19.02	16.35
Class H		13.69	11.80
Class I		13.94	11.98
Class N		10.06	-
Class O		15.88	13.57

Subsequent events 13

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr" Director

"Felix Narhi" Director

PENDER VALUE FUND

Statements of Comprehensive Income

Years ended December 31, 2019 and 2018

	Notes	2019	2018
Revenue:			
Dividend income		\$ 3,492,778	\$ 2,165,585
Interest for distribution purposes		197,660	556,666
Foreign exchange gain (loss)		(403,235)	1,026,086
Securities lending income	5	99,570	111,938
Changes in fair value of investments:			
Net realized gain (loss)		12,078,220	12,278,046
Net change in unrealized appreciation (depreciation)		47,586,151	(53,145,200)
Total revenue		63,051,144	(37,006,879)
Expenses:			
Management fees	4	3,459,523	3,508,588
Administration fees	4	1,594,956	1,582,063
Transaction costs		390,274	513,662
Withholding taxes (recovery)	6	215,559	74,205
Independent review committee fees		7,204	5,821
Other taxes (recovery)		-	3,234
Total expenses		5,667,516	5,687,573
Less expenses absorbed by the Manager		(7,204)	(5,821)
Net expenses		5,660,312	5,681,752
Increase (decrease) in net assets attributable to holders of redeemable units			
		\$ 57,390,832	\$ (42,688,631)
Increase (decrease) in net assets attributable to holders of redeemable units per class:			
Class A		\$ 10,374,353	\$ (7,815,530)
Class D		611,039	(450,201)
Class E		68,672	-
Class F		28,144,200	(22,715,971)
Class H		2,058,650	(1,673,047)
Class I		13,481,503	(9,021,276)
Class N		190	-
Class O		2,652,225	(1,012,606)
		\$ 57,390,832	\$ (42,688,631)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:			
Class A		\$ 2.97	\$ (2.27)
Class D		1.91	(1.38)
Class E		1.96	-
Class F		3.15	(2.72)
Class H		2.26	(1.71)
Class I		2.28	(1.94)
Class N		0.38	-
Class O		2.82	(1.17)

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2019 and 2018

Class A	2019	2018
Balance, beginning of year	\$ 62,337,654	\$ 57,012,606
Increase (decrease) in net assets attributable to holders of redeemable units	10,374,353	(7,815,530)
Unit transactions:		
Proceeds from issue of redeemable units	7,857,424	29,678,012
Issued on reinvestment of distributions	1,052,788	1,305,669
Amounts paid on redemption of redeemable units	(21,072,363)	(16,437,725)
	(12,162,151)	14,545,956
Distributions paid from:		
Net investment income	(1,908)	(1,244,910)
Realized gains on sale of investments	(1,138,362)	(160,468)
Return of capital	-	-
	(1,140,270)	(1,405,378)
Balance, end of year	\$ 59,409,586	\$ 62,337,654
Class D	2019	2018
Balance, beginning of year	\$ 3,604,943	\$ 3,167,875
Increase (decrease) in net assets attributable to holders of redeemable units	611,039	(450,201)
Unit transactions:		
Proceeds from issue of redeemable units	423,331	1,584,590
Issued on reinvestment of distributions	75,772	111,380
Amounts paid on redemption of redeemable units	(1,383,200)	(693,094)
	(884,097)	1,002,876
Distributions paid from:		
Net investment income	(1,500)	(106,179)
Realized gains on sale of investments	(75,601)	(9,428)
Return of capital	-	-
	(77,101)	(115,607)
Balance, end of year	\$ 3,254,784	\$ 3,604,943
Class E	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	68,672	-
Unit transactions:		
Proceeds from issue of redeemable units	640,199	-
Issued on reinvestment of distributions	24,324	-
Amounts paid on redemption of redeemable units	(25,000)	-
	639,523	-
Distributions paid from:		
Net investment income	(3,232)	-
Realized gains on sale of investments	(21,092)	-
Return of capital	-	-
	(24,324)	-
Balance, end of year	\$ 683,871	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class F	2019	2018
Balance, beginning of year	\$ 161,575,683	\$ 122,313,181
Increase (decrease) in net assets attributable to holders of redeemable units	28,144,200	(22,715,971)
Unit transactions:		
Proceeds from issue of redeemable units	36,625,033	108,279,560
Issued on reinvestment of distributions	2,737,600	4,246,441
Amounts paid on redemption of redeemable units	(81,143,847)	(44,829,703)
	(41,781,214)	67,696,298
Distributions paid from:		
Net investment income	(5,055)	(5,291,870)
Realized gains on sale of investments	(3,573,591)	(425,955)
Return of capital	-	-
	(3,578,646)	(5,717,825)
Balance, end of year	\$ 144,360,023	\$ 161,575,683
Class H	2019	2018
Balance, beginning of year	\$ 12,341,767	\$ 12,187,255
Increase (decrease) in net assets attributable to holders of redeemable units	2,058,650	(1,673,047)
Unit transactions:		
Proceeds from issue of redeemable units	4,081,574	4,755,569
Issued on reinvestment of distributions	234,036	338,330
Amounts paid on redemption of redeemable units	(6,911,298)	(2,903,815)
	(2,595,688)	2,190,084
Distributions paid from:		
Net investment income	-	(327,668)
Realized gains on sale of investments	(243,509)	(34,857)
Return of capital	-	-
	(243,509)	(362,525)
Balance, end of year	\$ 11,561,220	\$ 12,341,767
Class I	2019	2018
Balance, beginning of year	\$ 66,759,913	\$ 48,805,007
Increase (decrease) in net assets attributable to holders of redeemable units	13,481,503	(9,021,276)
Unit transactions:		
Proceeds from issue of redeemable units	31,564,385	41,487,927
Issued on reinvestment of distributions	1,671,658	2,025,586
Amounts paid on redemption of redeemable units	(27,740,858)	(14,093,247)
	5,495,185	29,420,266
Distributions paid from:		
Net investment income	(2,104)	(2,269,249)
Realized gains on sale of investments	(2,202,485)	(174,835)
Return of capital	-	-
	(2,204,589)	(2,444,084)
Balance, end of year	\$ 83,532,012	\$ 66,759,913

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class N	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	190	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	160	-
Amounts paid on redemption of redeemable units	-	-
	5,160	-
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	(160)	-
Return of capital	-	-
	(160)	-
Balance, end of year	\$ 5,190	\$ -

Class O	2019	2018
Balance, beginning of year	\$ 12,442,468	\$ 12,973,018
Increase (decrease) in net assets attributable to holders of redeemable units	2,652,225	(1,012,606)
Unit transactions:		
Proceeds from issue of redeemable units	1,150,339	890,983
Issued on reinvestment of distributions	380,380	456,590
Amounts paid on redemption of redeemable units	(632,908)	(264,332)
	897,811	1,083,241
Distributions paid from:		
Net investment income	-	(569,058)
Realized gains on sale of investments	(512,188)	(32,127)
Return of capital	-	-
	(512,188)	(601,185)
Balance, end of year	\$ 15,480,316	\$ 12,442,468

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 57,390,832	\$ (42,688,631)
Adjustments for:		
Dividend income	(3,492,778)	(2,165,585)
Interest for distribution purposes	(197,660)	(556,666)
Foreign exchange (gain) loss	403,235	(1,026,086)
Net realized (gain) loss on sale of investments	(12,078,220)	(12,278,046)
Net change in unrealized (appreciation) depreciation of investments	(47,586,151)	53,145,200
Management and administration fees payable	(20,255)	110,531
Accrued expenses	(126)	1,019
Other receivable	5,509	117
	(5,575,614)	(5,458,147)
Proceeds on disposal of investments	298,522,851	220,888,558
Amounts paid on purchase of investments	(223,365,755)	(386,556,305)
Dividends received	3,427,644	2,121,428
Interest received	184,810	659,147
	73,193,936	(168,345,319)
Financing:		
Proceeds from issue of redeemable units	60,021,121	164,378,865
Amounts paid on redemptions of redeemable units	(116,561,056)	(56,690,448)
Distributions paid to unitholders	(1,614,373)	(2,164,154)
	(58,154,308)	105,524,263
Net increase (decrease) in cash	15,039,628	(62,821,056)
Cash, beginning of year	11,632,482	73,427,452
Effect of exchange rate fluctuations on cash	(403,235)	1,026,086
Cash, end of year	\$ 26,268,875	\$ 11,632,482

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND

Schedule of Investment Portfolio

December 31, 2019

	Number of shares	Cost	Fair value
Equities:			
Communication services (8.2%):			
Corus Entertainment Inc., Class 'B'	847,435	\$ 4,655,043	\$ 4,508,354
Liberty Latin America Ltd., Class 'A'	216,999	5,272,588	5,438,432
TeraGo Inc.	422,588	3,261,952	3,752,581
Zillow Group, Inc.	207,100	10,031,327	12,354,631
		23,220,910	26,053,998
Consumer discretionary (17.2%):			
Aritzia Inc.	168,156	3,155,701	3,203,372
Avante Logixx Inc.	116,300	162,820	173,287
Diversified Royalty Corp.	4,015,320	11,925,272	12,608,105
Dollarama Inc.	112,874	4,064,821	5,037,567
Freshii Inc., Class 'A'	1,284,073	7,905,997	2,799,279
Hanesbrands Inc.	287,600	6,370,981	5,545,925
JD.com, Inc., ADR	200,805	6,010,080	9,186,410
Leaf Group Ltd.	677,854	6,134,066	3,520,909
Uni-Select Inc.	470,706	10,832,964	5,361,341
Wynn Resorts, Limited	40,300	5,880,159	7,267,284
		62,442,861	54,703,479
Consumer staples (3.8%):			
MAV Beauty Brands Inc.	2,121,715	5,479,420	8,592,946
Premium Brands Holdings Corporation	38,800	3,232,826	3,529,248
		8,712,246	12,122,194
Diversified financials (17.7%):			
Burford Capital Limited	770,599	13,663,662	9,437,389
Currency Exchange International, Corp.	224,000	5,473,093	4,032,000
Exor N.V.	127,600	11,355,112	12,839,213
Fiera Capital Corporation	308,219	3,410,149	3,609,244
KKR & Co. Inc.	366,940	11,666,434	13,899,211
Onex Corporation	155,500	12,087,360	12,777,435
		57,655,810	56,594,492
Energy (3.7%):			
Athabasca Oil Corporation	7,955,100	8,574,424	4,693,509
Husky Energy Inc., Preferred, Series '3', 4.50%	110,750	1,989,020	1,934,803
Husky Energy Inc., Preferred, Series '5', 4.50%	27,000	513,869	513,000
Husky Energy Inc., Preferred, Series '7', 4.60%	17,325	329,766	328,829
SandRidge Energy, Inc.	760,987	7,340,154	4,189,882
		18,747,233	11,660,023
Health care (0.6%):			
Medicure Inc.	469,609	3,013,686	2,066,280
		3,013,686	2,066,280
Industrials (5.2%):			
Maxar Technologies Inc.	387,740	5,151,168	7,894,386
The Middleby Corporation	60,200	9,094,311	8,561,475
		14,245,479	16,455,861
Information technology (16.7%):			
Blackberry Limited	659,672	5,761,036	5,508,261
eGain Corporation	535,641	5,411,874	5,508,808
Enghouse Systems Limited	174,528	5,712,922	8,408,759
ProntoForms Corporation	11,338,400	4,461,924	6,406,196
Redline Communications Group Inc.	1,200,785	2,857,420	1,440,942
Sangoma Technologies Corp.	3,919,000	4,893,187	9,758,310
SS&C Technologies Holdings, Inc.	205,700	13,387,414	16,400,662
		42,485,777	53,431,938

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND

Schedule of Investment Portfolio (continued)

December 31, 2019

	Interest rate	Maturity date	Issue currency	Number of shares / face value	Cost	Fair value
Equities (continued):						
Insurance (0.7%):						
Trisura Group Ltd.				53,000	1,399,200	2,134,310
					1,399,200	2,134,310
Materials (9.5%):						
CCL Industries Inc., Class 'B'				224,955	13,351,560	12,444,511
Element solutions Inc.				341,633	5,157,096	5,181,570
Winpak Ltd.				266,400	11,890,993	12,515,472
					30,399,649	30,141,553
Real estate (7.8%):						
Brookfield Property Partners L.P				264,200	6,633,052	6,269,466
Colony Capital, Inc.				632,374	5,004,268	3,900,554
The Howard Hughes Corporation				88,582	13,262,199	14,585,570
					24,899,519	24,755,590
Total equities (91.1%)					\$ 287,222,370	\$ 290,119,718
Corporate bonds:						
Corporate bonds (0.7%):						
Aceto Corporation	2.00%	2020/11/01	USD	8,000,000	\$ -	\$ 1,038,840
Paratek Pharmaceuticals Inc.	4.75%	2024/05/01	USD	1,250,000	1,188,992	1,172,753
Total corporate bonds (0.7%)					1,188,992	2,211,593
Less: Transaction costs included in cost of investments					(262,951)	
Total investments (91.8%)					\$ 288,148,411	\$ 292,331,311
Cash (8.3%)						\$ 26,268,875
Other assets less liabilities (-0.1%)						(313,184)
Total net assets attributable to holders of redeemable units (100.0%)						\$ 318,287,002

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND II

(formerly Vertex Value Fund)

Statements of Financial Position

December 31, 2019 and 2018

	Notes	2019	2018
Assets			
Cash		\$ 1,391,421	\$ 14,893,447
Subscriptions receivable		30,450	962,478
Dividends receivable		15,408	95,985
Interest receivable		123	27,371
Investments		27,560,924	129,948,241
		<u>28,998,326</u>	<u>145,927,522</u>
Liabilities			
Redemptions payable to holders of redeemable units		125,211	2,485,775
Accrued expenses		54,188	-
Management and administration fees payable	4	52,537	39,340
		<u>231,936</u>	<u>2,525,115</u>
Net assets , attributable to holders of redeemable units		<u>\$ 28,766,390</u>	<u>\$ 143,402,407</u>
Net assets attributable to holders of redeemable units per class:			
Class A		\$ 16,941,045	\$ 49,409,275
Class A1		5,000	-
Class E		5,000	-
Class F		11,795,345	93,993,132
Class F1		5,000	-
Class I		5,000	-
Class N		5,000	-
Class O		5,000	-
		<u>\$ 28,766,390</u>	<u>\$ 143,402,407</u>
Net assets attributable to holders of redeemable units per unit:			
Class A		\$ 14.22	\$ 16.77
Class A1		10.00	-
Class E		10.00	-
Class F		14.95	17.44
Class F1		10.00	-
Class I		10.00	-
Class N		10.00	-
Class O		10.00	-

Subsequent events 13

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

"David Barr" Director

"Felix Narhi" Director

PENDER VALUE FUND II

(formerly Vertex Value Fund)

Statements of Comprehensive Income

Years ended December 31, 2019 and 2018

	Notes	2019	2018
Revenue:			
Dividend income		\$ 1,263,487	\$ 1,594,220
Interest for distribution purposes		30,352	19,643
Foreign exchange gain (loss)		(687,431)	54,067
Securities lending income	5	442,507	251,258
Changes in fair value of investments:			
Net realized gain (loss)		(54,878,241)	(12,676,350)
Net change in unrealized appreciation (depreciation)		40,162,766	(86,632,017)
Total revenue		(13,666,560)	(97,389,179)
Expenses:			
Management fees	4	1,295,977	3,361,634
Transaction costs		600,467	379,428
Securityholder reporting costs		323,848	323,005
Audit fees		87,230	48,302
Other administrative expenses		79,316	63,833
Withholding taxes (recovery)	6	76,849	48,301
Custody fees		20,537	60,060
Legal fees		17,207	24,700
Independent review committee fees		16,106	21,322
Trustee fees		5,339	5,825
Interest expense		64	204
Total expenses		2,522,940	4,336,614
Increase (decrease) in net assets attributable to holders of redeemable units			
		\$ (16,189,500)	\$(101,725,793)
Increase (decrease) in net assets attributable to holders of redeemable units per class:			
Class A		\$ (6,057,702)	\$ (33,214,780)
Class A1		-	-
Class E		-	-
Class F		(10,131,798)	(68,511,013)
Class F1		-	-
Class I		-	-
Class N		-	-
Class O		-	-
		\$ (16,189,500)	\$(101,725,793)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:			
Class A		\$ (2.88)	\$ (11.17)
Class A1		-	-
Class E		-	-
Class F		(3.29)	(11.51)
Class F1		-	-
Class I		-	-
Class N		-	-
Class O		-	-

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND II

(formerly Vertex Value Fund)

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2019 and 2018

Class A	2019	2018
Balance, beginning of year	\$ 49,409,275	\$ 79,262,855
Increase (decrease) in net assets attributable to holders of redeemable units	(6,057,702)	(33,214,780)
Unit transactions:		
Proceeds from issue of redeemable units	5,815,394	23,219,200
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	(32,225,922)	(19,858,000)
	(26,410,528)	3,361,200
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 16,941,045	\$ 49,409,275

Class A1	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	-	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	5,000	-
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 5,000	\$ -

Class E	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	-	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	5,000	-
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 5,000	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND II

(formerly Vertex Value Fund)

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class F	2019	2018
Balance, beginning of year	\$ 93,993,132	\$ 148,812,869
Increase (decrease) in net assets attributable to holders of redeemable units	(10,131,798)	(68,511,013)
Unit transactions:		
Proceeds from issue of redeemable units	10,550,078	57,786,725
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	(82,616,067)	(44,095,449)
	(72,065,989)	13,691,276
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 11,795,345	\$ 93,993,132

Class F1	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	-	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	5,000	-
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 5,000	\$ -

Class I	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	-	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	5,000	-
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 5,000	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND II

(formerly Vertex Value Fund)

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

Years ended December 31, 2019 and 2018

Class N	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	-	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	5,000	-
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 5,000	\$ -
Class O	2019	2018
Balance, beginning of year	\$ -	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units	-	-
Unit transactions:		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	5,000	-
Distributions paid from:		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
Balance, end of year	\$ 5,000	\$ -

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND II

(formerly Vertex Value Fund)

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	2019	2018
Cash provided by (used in):		
Operating:		
Increase (decrease) in net assets attributable to holder of redeemable units	\$ (16,189,500)	\$ (101,725,793)
Adjustments for:		
Dividend income	(1,263,487)	(1,594,220)
Interest for distribution purposes	(30,352)	(19,643)
Foreign exchange (gain) loss	687,431	(54,067)
Net realized (gain) loss on sale of investments	54,878,241	12,676,350
Net change in unrealized (appreciation) depreciation of investments	(40,162,766)	86,633,096
Management and administration fees payable	13,197	(331,676)
Accrued expenses	54,188	-
	(2,013,048)	(4,415,953)
Proceeds on disposal of investments	170,167,470	79,009,626
Amounts paid on purchase of investments	(82,495,628)	(81,215,054)
Dividends received	1,344,064	1,557,424
Interest received	57,600	22,789
	87,060,458	(5,041,168)
Financing:		
Proceeds from issue of redeemable units	12,273,136	76,867,969
Amounts paid on redemptions of redeemable units	(112,148,189)	(57,215,921)
	(99,875,053)	19,652,048
Net increase (decrease) in cash	(12,814,595)	14,610,880
Cash, beginning of year	14,893,447	228,500
Effect of exchange rate fluctuations on cash	(687,431)	54,067
Cash, end of year	\$ 1,391,421	\$ 14,893,447

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND II

(formerly Vertex Value Fund)

Schedule of Investment Portfolio

December 31, 2019

	Number of shares	Cost	Fair value
Equities:			
Communication services (8.9%):			
Corus Entertainment Inc., Class 'B'	72,223	\$ 397,542	\$ 384,226
Liberty Latin America Ltd., Class 'A'	22,200	486,018	556,377
TeraGo Inc.	38,974	300,933	346,089
Zillow Group, Inc., Class 'C'	21,300	1,348,510	1,270,660
		2,533,003	2,557,352
Consumer discretionary (11.9%):			
Aritzia Inc.	15,890	298,200	302,705
Diversified Royalty Corp.	379,345	1,137,311	1,191,143
Enerpulse Technologies, Inc.	575,000	-	-
Hanesbrands Inc.	26,536	532,332	511,706
JD.com, Inc., ADR	21,900	883,615	1,001,879
Leaf Group Ltd.	78,542	628,536	407,963
		3,479,994	3,415,396
Consumer staples (4.0%):			
MAV Beauty Brands Inc.	202,208	526,332	818,942
Premium Brands Holdings Corporation	3,700	308,287	336,552
		834,619	1,155,494
Diversified financials (18.5%):			
Burford Capital Limited	70,960	1,188,893	869,035
Currency Exchange International, Corp.	23,714	451,040	426,852
Exor N.V.	12,000	1,106,223	1,207,449
Fiera Capital Corporation	27,262	301,634	319,238
KKR & Co. Inc.	33,968	1,188,881	1,286,664
Onex Corporation	14,700	1,171,524	1,207,899
		5,408,195	5,317,137
Energy (10.8%):			
Petroshale Inc.	1,770,691	2,231,181	1,150,949
Pipestone Energy Corp.	494,125	1,390,104	835,071
SandRidge Energy, Inc.	83,270	714,171	458,472
Surge Energy Inc.	575,812	1,423,939	656,426
		5,759,395	3,100,918
Industrials (5.3%):			
Maxar Technologies Inc.	37,052	373,459	754,379
The Middleby Corporation	5,500	840,648	782,195
		1,214,107	1,536,574
Information technology (15.8%):			
Blackberry Limited	71,584	657,188	597,726
eGain Corporation	49,518	504,057	509,269
Enghouse Systems Limited	18,607	651,435	896,485
Sangoma Technologies Corp.	366,000	558,344	911,340
SS&C Technologies Holdings, Inc.	18,800	1,349,149	1,498,941
Stage Holdco Ltd., Class 'A'	36,067,710	180,339	133,451
		3,900,512	4,547,212

The accompanying notes are an integral part of these financial statements.

PENDER VALUE FUND II

(formerly Vertex Value Fund)

Schedule of Investment Portfolio (continued)

December 31, 2019

	Interest rate / exercise price	Maturity / expiry date	Issue currency	Number of shares/units / face value	Cost	Fair value
Equities (continued):						
Insurance (0.7%):						
Trisura Group Ltd.				5,000	132,200	201,350
					132,200	201,350
Materials (9.1%):						
CCL Industries Inc., Class 'B'				20,700	1,347,697	1,145,124
Red Eagle Mining Corporation				428,759	215,951	-
Taseko Mines Limited				477,969	590,457	301,120
Winpak Ltd.				24,943	1,118,507	1,171,822
					3,272,612	2,618,066
Real estate (8.5%):						
Brookfield Property Partners L.P				28,197	660,929	669,115
Colony Capital, Inc.				65,229	508,550	402,340
The Howard Hughes Corporation				8,400	1,402,458	1,383,112
					2,571,937	2,454,567
Total equities (93.5%)					\$ 29,106,374	\$ 26,904,066
Corporate bonds:						
Corporate bonds (1.6%):						
Enerpulse Technologies, Inc.	6.00%	2018/02/19	USD	230,000	\$ 289,455	\$ 30
Wolverine Energy and Infrastructure Inc.	9.00%	2021/12/31	CAD	500,000	500,000	469,150
Total corporate bonds (1.6%)					789,455	469,180
Warrants:						
Warrants (0.7%):						
Briko Energy Corp.	1.10	2020/06/26	CAD	509,660	-	1
Diamcor Mining Inc.	1.20	2020/06/09	CAD	588,235	-	1
Diamcor Mining Inc.	0.60	2021/06/20	CAD	211,421	-	-
Pipestone Energy Corp.	3.00	2021/05/19	CAD	4,691,669	66,421	187,667
Prairie Provident Resources Inc.	0.50	2020/10/11	CAD	641,000	-	1
Red Eagle Mining Corporation	0.50	2022/08/07	CAD	8,079,644	-	8
Total warrants (0.7%)					66,421	187,678
Less: Transaction costs included in cost of investments					(79,591)	
Total investments (95.8%)					\$ 29,882,659	\$ 27,560,924
Cash (4.8%)						\$ 1,391,421
Other assets less liabilities (-0.6%)						(185,955)
Total net assets attributable to holders of redeemable units (100.0%)						\$ 28,766,390

The accompanying notes are an integral part of these financial statements.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

1. The Funds:

The Pender Mutual Funds (individually a “Fund” and collectively the “Funds”) include the following:

	Fund Inception Date	Classes
Corporate Bond Fund	June 1, 2009	A, A(USD), D, E, F, F(USD), H, H(USD), I, I(USD), N, N(USD), O, U
Enhanced Income Fund (formerly, the Vertex Enhanced Income Fund)	September 21, 2009	A (formerly, B), A1, E, F, F1, I, N, O
Small Cap Opportunities Fund	June 1, 2009	A, B, E, F, G, I, N, O
Strategic Growth and Income Fund	November 24, 2010	A, D, E, F, H, I, O
US All Cap Equity Fund	June 28, 2013	A, A(USD), D, E, F, F(USD), H, I, N, N(USD), O
Value Fund	June 28, 2013	A, D, E, F, H, I, N, O
Value Fund II (formerly, the Vertex Value Fund)	September 21, 2009	A (formerly, B), A1, E, F, F1, I, N, O

Each of the Funds is an open-end investment trust governed under the laws of the Province of British Columbia. The Pender Corporate Bond Fund, Pender Small Cap Opportunities Fund, Pender Strategic Growth and Income Fund, Pender US All Cap Equity Fund and Pender Value Fund were formed pursuant to the Twelfth Amended and Restated Mutual Fund Trust Agreement dated November 29, 2019 (previously the Eleventh Amended and Restated Mutual Fund Trust Agreement dated May 22, 2019). The Pender Enhanced Income Fund (formerly, the Vertex Enhanced Income Fund) and Pender Value Fund II (formerly, the Vertex Value Fund) were formed pursuant to a Continued Mutual Fund Trust Agreement dated December 15, 2019 (previously the Supplemental Amended and Restated Trust Agreement dated October 19, 2012).

On December 15, 2019, PenderFund Capital Management Ltd. (“Pender” or the “Manager”) and Vertex One Asset Management Inc. (“Vertex One” or the “Former Manager”) announced the completion of Pender’s acquisition of the investment fund management contracts for Vertex Enhanced Income Fund, which was then renamed as the Pender Enhanced Income Fund, and Vertex Value Fund, which was then renamed as the Pender Value Fund II, (the “Transaction”), whereupon Pender became the investment fund manager and portfolio manager of the funds. Concurrent with the Transaction, the Vertex Growth Fund and the Vertex Fund were merged on a taxable basis into the Vertex Enhanced Income Fund, which was then renamed as the Pender Enhanced Income Fund (see Note 4).

The Pender Small Cap Opportunities Fund acquired all of the assets of the Pender Select Ideas Fund on December 15, 2018 (see Note 4).

The Funds invest primarily in a diversified portfolio of equity securities issued by companies listed on major North American stock exchanges, investment funds, fixed and variable income securities, and derivatives, with the objective of providing unitholders with above-average returns over the long-term.

The Funds’ registered office is located at 1830 - 1066 West Hastings Street, Vancouver, BC, V6E 3X2. The Manager of the Funds is PenderFund Capital Management Ltd. The Manager became manager for the Pender Enhanced Income Fund and Pender Value Fund II effective December 15, 2019. Prior to December 15, 2019 the manager was Vertex One. All information for prior periods included in these financial statements for the Pender Enhanced Income Fund and Pender Value Fund II are as reported by the Former Manager.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

2. Basis of preparation:

(a) Statement of compliance:

The annual financial statements of the Funds are prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These financial statements were authorized for issue by the Manager on March 26, 2020.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments, investments sold short and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, the Funds' functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

The Funds may hold financial instruments that are not quoted in an active market, including derivatives.

The determination of the fair value of these investments is the area with the Manager's most significant accounting judgements and estimates in preparing these financial statements.

(e) Comparative information:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(i) Recognition and measurement (continued):

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the particular Fund becomes a party to the contractual provisions of the instrument. The Funds derecognize a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position only when the Funds have a legal right to offset the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is both to hold assets to collect contractual cash flows and to potentially sell financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Funds may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets are not reclassified subsequent to their initial recognition, unless the Funds changes their business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Funds have not classified any of their financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Funds may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(ii) Fair value through profit and loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the Statements of Comprehensive Income in the period in which they occur. The Funds' derivative assets and derivative liabilities, investments in securities, and investments sold short are classified as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) is based on quoted market prices at the close of trading on the reporting date. The Funds use the last traded market price for both financial assets and financial liabilities. In circumstances where there is no closing price, the average of the closing bid and the closing ask price on the valuation date is used. The Funds' policy is to recognize transfers into and out of the fair value hierarchy levels described in Note 10(a) as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including non- publicly traded derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other methods commonly used by market participants and which make the maximum use of observable inputs. Where the value of a financial asset or liability is not readily available or where the Manager is of the opinion that the value available is inaccurate or unreliable, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Funds classify cash and cash equivalents, dividends receivable, interest receivable, subscriptions receivable, balances due from brokers, daily variation margins, other receivables, bank indebtedness, management and administration fees payable, performance fees payable, redemptions payable to holders of redeemable units, distributions payable to holders of redeemable units, and other accrued liabilities as amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

3. Significant accounting policies (continued):

(b) Redeemable units:

The Funds classify financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Funds have designated redeemable units as financial liabilities at FVTPL because they are managed, and their performance is evaluated on a fair value basis. The redeemable units provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Funds' valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

(c) Per unit amounts:

Net assets attributable to holders of redeemable units is calculated based on the number of units outstanding at the end of the period. The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the period.

(d) Securities lending transactions:

The Funds are permitted to enter into securities lending transactions as set out in the Funds' Simplified Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date.

Securities lending transactions are administered by Canadian Imperial Bank of Commerce and The Bank of New York Mellon (collectively the "Securities Lending Agent"). The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in the Statements of Comprehensive Income as Securities lending income and recognized when earned.

Note 5 summarizes the details of securities loaned and collateral received, and presents a reconciliation of the gross amount generated from securities lending to the securities lending income earned by the Funds.

(e) Foreign exchange:

The financial statements of the Funds are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the Statements of Comprehensive Income.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

3. Significant accounting policies (continued):

(f) Income recognition:

Interest for distribution purposes shown on the Statements of Comprehensive Income is recognized on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(g) Income taxes:

The Funds qualify as unit trusts under the *Income Tax Act* (Canada). All of the Funds' net income for tax purposes and net capital gains realized in any period is required to be distributed to unitholders such that no income tax is payable by the Funds. As a result, the Funds do not record income taxes.

(h) New standards and interpretations not yet adopted:

The Funds have determined there are no IFRS standards that are issued but not yet effective that could materially impact the Funds' financial statements.

4. Related party transactions:

(a) Management fees:

Each Fund pays a management fee to the Manager for the management of the Funds. The management fee is calculated as an annualized percentage of the net asset value ("NAV") of each class. The management fees for Class E and Class O units are negotiable and paid directly by the investors and not by the Funds. The annual management fee percentages of the remaining classes as at December 31, 2019 and 2018 are as follows:

2019	Class A / A (USD) / A1	Class B	Class D	Class F / F (USD) / F1	Class G	Class H / H (USD)	Class I / I (USD)	Class N	Class U
Corporate Bond Fund	1.45%	-	0.90%	0.65%	-	1.15%	0.50%	0.25%	0.65%
Enhanced Income Fund	1.75%	-	-	0.75%	-	-	0.60%	0.35%	-
Small Cap Opportunities Fund	2.00%	2.00%	-	1.00%	1.00%	-	0.85%	0.50%	-
Strategic Growth and Income Fund	1.75%	-	1.00%	0.75%	-	1.45%	0.60%	-	-
US All Cap Equity Fund	1.85%	-	1.10%	0.85%	-	1.55%	0.70%	0.35%	-
Value Fund	1.90%	-	1.15%	0.90%	-	1.60%	0.75%	0.35%	-
Value Fund II	1.90%	-	-	0.90%	-	-	0.75%	0.35%	-

2018	Class A / Class A (USD)	Class B	Class D	Class F / Class F (USD)	Class G	Class H / H (USD)	Class I / I (USD)	Class N
Corporate Bond Fund	1.45%	-	0.90%	0.65%	-	1.15%	0.50%	-
Enhanced Income Fund	1.50%	-	-	0.75%	-	-	-	-
Small Cap Opportunities Fund	2.00%	2.00%	-	1.00%	1.00%	-	0.85%	0.50%
Strategic Growth and Income Fund	1.75%	-	1.00%	0.75%	-	1.45%	0.60%	-
US All Cap Equity Fund	1.85%	-	1.10%	0.85%	-	1.55%	0.70%	-
Value Fund	1.90%	-	1.15%	0.90%	-	1.60%	0.75%	-
Value Fund II	2.00%	-	-	1.00%	-	-	-	-

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

4. Related party transactions (continued):

(b) Administration fees and other expenses:

Each Fund also pays the Manager an administration fee equal to 0.50% of NAV. In exchange for the fee, the Manager pays for the operating costs of each Fund (including GST/HST, registrar and transfer agency fees, custody fees, unitholder servicing costs, costs of prospectus and reports, regulatory fees, audit and legal fees, and other administrative and operating expenses) other than Independent Review Committee ("IRC") fees and portfolio-related expenses such as interest, withholding taxes, and transaction costs. The administration fees for Class O units are negotiable and paid directly by the investors and not by the Funds.

Prior to December 15, 2019, the Pender Enhanced Income Fund and Pender Value Fund II, under the management of the Former Manager, were responsible for the payment of all fees and expenses relating to its operation, including registrar and transfer agent fees and expenses, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Manager), recordkeeping, legal fees and expenses, custody and safekeeping charges, all costs and expenses associated with the qualification for sale of units (except for formation and organization costs and costs associated with the preparation and filing of the simplified prospectus and the annual information form), providing financial and other reports to Unitholders and convening and conducting meetings of unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest, all brokerage and other fees relating to the purchase and sale of the assets of the Fund, and the fees and expenses of the IRC. The Former Manager paid for all expenses associated with the identification and management of the fund's investments (other than direct expenses such as interest charges on margin borrowings and brokerage fees, which are the responsibility of the fund).

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

4. Related party transactions (continued):

(b) Administration fees and other expenses (continued):

The Manager, at its discretion, may reduce or waive management or administration fees and reimburse the Funds for any expenses. The Manager has agreed to cap the management fees, administration fees and other expenses charged to each Fund class so that the management expense ratio ("MER") as at December 31, 2019 and 2018, being expressed as a percentage of average NAV, does not exceed the following rates:

2019	Class A / Class A (USD)				Class F / Class F (USD)		Class H / H(USD)	Class I/ I(USD)	Class N	Class U
	A1	Class B	Class D	Class E	F1	Class G				
Corporate Bond Fund	1.95%	-	1.40%	0.50%	1.15%	-	1.65%	1.00%	0.75%	1.15%
Enhanced Income Fund	2.25%	-	-	0.50%	1.25%	-	-	1.10%	0.85%	-
Small Cap Opportunities Fund	2.50%	2.50%	-	0.50%	1.50%	1.50%	-	1.35%	1.00%	-
Strategic Growth and Income Fund	2.25%	-	1.50%	0.50%	1.25%	-	1.95%	1.10%	-	-
US All Cap Equity Fund	2.35%	-	1.60%	0.50%	1.35%	-	2.05%	1.20%	0.85%	-
Value Fund	2.40%	-	1.65%	0.50%	1.40%	-	2.10%	1.25%	0.85%	-
Value Fund II	2.40%	-	-	0.50%	1.40%	-	-	1.25%	0.85%	-

2018	Class A / Class A (USD)			Class F / Class F (USD)		Class H / H(USD)	Class I/ I(USD)	Class N
	Class B	Class D	Class E	Class G				
Corporate Bond Fund	1.95%	-	1.40%	1.15%	-	1.65%	1.00%	-
Small Cap Opportunities Fund	2.50%	2.50%	-	1.50%	1.50%	-	1.35%	1.00%
Strategic Growth and Income Fund	2.25%	-	1.50%	1.25%	-	1.95%	1.10%	-
US All Cap Equity Fund	2.35%	-	1.60%	1.35%	-	2.05%	1.20%	-
Value Fund	2.40%	-	1.65%	1.40%	-	2.10%	1.25%	-

(c) Performance fees:

The Manager is also entitled to a performance fee in respect of Class B and Class G units of the Pender Small Cap Opportunities Fund, in certain circumstances. The performance fee is equal to 20% of the amount by which the total return of the class of units exceeds the total percentage increase or decrease in the Fund's benchmark for the period since the performance fee was last paid, subject to a relative high water mark. The high water mark for a class of units is the highest year-end net asset value on which a performance fee has previously been paid for that class. The performance fee is calculated monthly and paid annually. The performance fee will be calculated monthly and annually. There was no performance fee incurred for the years ended December 31, 2019 and 2018 or payable to the Manager as at December 31, 2019 and 2018.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

4. Related party transactions (continued):

(c) Performance fees (continued):

Prior to June 28, 2019, the Former Manger was entitled to a performance fee plus applicable taxes in relation to each class of units of Pender Enhanced Income Fund and Pender Value Fund II. The performance fee was equal to 20% of the amount by which the total return of the class of units exceeds the total percentage increase or decrease of certain blended benchmarks, for the period since the performance fee was last paid. There was no performance fee incurred for the years ended December 31, 2019 and 2018 or payable to the Former Manager as at December 31, 2019 and 2018.

(d) Amounts payable to the Manager:

As at December 31, 2019 and 2018, the Funds had the following amounts payable to the Manager relating to management fees, administration fees and other expenses incurred by the Manager on behalf of the Funds (except for Pender Enhanced Income Fund and Pender Value Fund II as at December 31, 2018 amount owed to the Former Manager relating to management fees):

	2019	2018
Corporate Bond Fund	\$ 1,050,899	\$ 558,448
Enhanced Income Fund	11,697	28,435
Small Cap Opportunities Fund	218,589	170,749
Strategic Growth and Income Fund	20,081	20,136
US All Cap Equity Fund	18,677	15,357
Value Fund	400,400	420,655
Value Fund II	52,537	39,340

From time to time the Manager may reduce the effective management fee payable by some unitholders by reducing the management fee it charges to the Funds, and directing the Funds to make distributions to these unitholders in amounts equal to the management fee reduction.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

4. Related party transactions (continued):

(e) Related party holdings:

As at December 31, 2019 and 2018, parties related to the Manager directly or indirectly held the following percentages of each Fund's outstanding units. Subscriptions and redemptions of related parties are subject to the same terms and conditions as those of arm's length investors in the Funds.

	2019	2018
Corporate Bond Fund	0%	1%
Enhanced Income Fund*	0%	4%
Small Cap Opportunities Fund	1%	1%
Strategic Growth and Income Fund	5%	3%
US All Cap Equity Fund	8%	9%
Value Fund	1%	0%
Value Fund II*	0%	15%

* As at December 31, 2018 percentages are based on parties related to the Former Manager.

(f) Fund merger:

On December 15, 2019, the Vertex Fund and Vertex Growth Fund was merged into the Pender Enhanced Income Fund. Each of these three funds was previously managed by the Former Manager and the taxable merger was approved by unitholders on November 28, 2019. The merger resulted in an increase of \$48,319,414 in net assets attributable to unitholders of the continuing fund, Pender Enhanced Income Fund:

Cash	\$ 8,251,793
Investments	40,901,411
Other liabilities less assets	(833,790)
	\$ 48,319,414

	Units issued	Amount
Class A	1,494,719	\$ 10,812,495
Class F	5,065,970	37,506,919
		\$ 48,319,414

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

4. Related party transactions (continued):

(f) Fund merger (continued):

On December 15, 2018, the Pender Select Ideas Fund was merged into the Pender Small Cap Opportunities Fund. The two funds were both managed by the Manager, had the same investment objectives, and had substantially similar investment strategies. The merger resulted in an increase of \$6,611,671 in net assets attributable to unitholders of the continuing fund, Pender Small Cap Opportunities Fund:

Cash	\$	521,804
Investments		6,066,731
Other assets less liabilities		23,136
	\$	6,611,671

	Units issued	Amount
Class B	85,100	\$ 736,274
Class G	506,455	4,406,815
Class O	64,573	1,468,582
		\$ 6,611,671

5. Securities lending transactions:

The following table shows the value of securities loaned and collateral received from securities lending as at December 31, 2019 and 2018 for certain Funds. The remaining Funds did not have any securities loaned or collateral received as at December 31, 2019 and 2018.

2019	Securities loaned	Collateral received
Strategic Growth and Income Fund	\$ 422,914	\$ 444,685
US All Cap Equity Fund	5,395,449	5,730,400

2018	Securities loaned	Collateral received
Enhanced Income Fund	\$ 1,775,930	\$ 2,182,213
Small Cap Opportunities Fund	8,136,417	8,557,283
Strategic Growth and Income Fund	1,688,625	1,779,011
US All Cap Equity Fund	3,413,797	3,585,465
Value Fund	25,927,623	27,290,453
Value Fund II	25,878,491	27,391,010

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

5. Securities lending transactions:

Collateral received on securities lending may be comprised of debt obligations of the Government of Canada and other countries, Canadian provincial or territorial governments, governments of states of the United States of America, and evidence of indebtedness of financial institutions whose short-term debt is rated A-1 or R-1 or equivalent by a recognized, widely followed North American credit rating agency.

No securities lending income was earned by Pender Corporate Bond Fund for the year ended December 31, 2019. A reconciliation of the gross amount generated from securities lending transactions to the securities lending income earned by the remaining Funds for the period ended December 31, 2019 and 2018 is included in the following table.

2019	Gross income	Withholding taxes	Agent fees	Net income
Enhanced Income Fund	\$ 18,830	\$ (1,816)	\$ (5,102)	\$ 11,912
Small Cap Opportunities Fund	401,006	(9,646)	(156,528)	234,832
Strategic Growth and Income Fund	57,345	(30)	(22,923)	34,392
US All Cap Equity Fund	12,565	(221)	(4,936)	7,408
Value Fund	175,979	(10,039)	(66,370)	99,570
Value Fund II	705,954	(73,817)	(189,630)	442,507

2018	Gross income	Withholding taxes	Agent fees	Net income
Corporate Bond Fund	\$ 91,749	\$ (20,567)	\$ (28,467)	\$ 42,715
Enhanced Income Fund	12,872	(2,596)	(3,082)	7,194
Small Cap Opportunities Fund	453,900	(336)	(181,412)	272,152
Strategic Growth and Income Fund	46,926	-	(18,769)	28,157
US All Cap Equity Fund	8,655	-	(3,461)	5,194
Value Fund	190,047	(3,498)	(74,611)	111,938
Value Fund II	366,206	(7,275)	(107,673)	251,258

Agent fees were paid to the Securities Lending Agent (see Note 3(d)) and represented 30% of the gross securities lending income net of withholding taxes by Pender Enhanced Income Fund and Pender Value Fund II. For the remaining Funds the agent fees were paid to the Securities Lending Agent and represented 40% of the gross securities lending income net of withholding taxes by the Funds.

6. Withholding tax expense:

Certain dividend and interest income received by the Funds is subject to withholding tax imposed in the country of origin. During the period, withholding tax rates were between 0% and 35% (2018 - between 0% and 35%).

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

7. Redeemable units:

The Funds are authorized to issue an unlimited number of redeemable units in an unlimited number of classes. The redeemable unit transactions for the Funds during the years ended December 31, 2019 and 2018 were as follows:

2019	Outstanding units, beginning of period	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of period
Corporate Bond Fund:					
Class A	6,280,891	5,254,833	158,770	(2,412,891)	9,281,603
Class A (USD)	444,755	227,319	9,740	(241,176)	440,638
Class D	153,752	334,441	8,076	(155,239)	341,030
Class E	-	399,926	3,569	(15,165)	388,330
Class F	20,139,093	21,878,650	566,098	(10,053,091)	32,530,750
Class F (USD)	1,772,010	1,419,434	34,389	(1,733,519)	1,492,314
Class H	3,573,651	3,025,752	112,494	(1,039,948)	5,671,949
Class H (USD)	-	205,428	421	-	205,849
Class I	13,366,024	28,134,339	484,659	(6,493,957)	35,491,065
Class I (USD)	-	1,214,395	2,738	(19,417)	1,197,716
Class U	-	579	9	-	588
Class N	-	1,801,146	4,343	(86,210)	1,719,279
Class N (USD)	-	281,023	109	(607)	280,525
Class O	787,928	1,799,225	37,702	(123,250)	2,501,605
Enhanced Income Fund					
Class A	1,820,922	1,767,054	51,398	(1,217,662)	2,421,712
Class A1	-	500	-	-	500
Class E	-	500	-	-	500
Class F	3,274,932	5,468,481	76,775	(2,602,874)	6,217,314
Class F1	-	500	-	-	500
Class I	-	500	-	-	500
Class N	-	500	-	-	500
Class O	-	500	-	-	500
Small Cap Opportunities Fund:					
Class A	1,355,612	539	145,544	(290,921)	1,210,774
Class B	85,600	1,576,081	135,132	(536,878)	1,259,935
Class E	-	132,108	15,631	(2,262)	145,477
Class F	3,270,076	41,469	329,465	(630,006)	3,011,004
Class G	272,032	2,344,208	274,095	(193,186)	2,697,149
Class I	1,006,376	55,948	144,079	(31,413)	1,174,990
Class N	3,290,720	1,338,472	406,300	(1,181,894)	3,853,598
Class O	288,379	72,245	35,761	(49,239)	347,146
Strategic Growth and Income Fund:					
Class A	766,480	40,816	5,008	(218,124)	594,180
Class D	3,771	499	35	(2,331)	1,974
Class E	-	6,978	89	-	7,067
Class F	388,736	32,005	4,106	(173,820)	251,027
Class H	25,026	47,552	381	(11,948)	61,011
Class I	158,686	14,917	1,459	(75,403)	99,659
Class O	591	-	19	-	610

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

7. Redeemable units (continued):

2019 (continued):	Outstanding units, beginning of period	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of period
US All Cap Equity Fund:					
Class A	660,864	12,387	388	(142,806)	530,833
Class A (USD)	58,144	-	18	(3,414)	54,748
Class D	4,372	8,382	24	(3,362)	9,416
Class E	-	97,938	82	-	98,020
Class F	423,514	18,061	520	(70,484)	371,611
Class F (USD)	29,410	934	117	(21,682)	8,779
Class H	39,336	-	-	(15,268)	24,068
Class I	28,660	736	1	(12,196)	17,201
Class N	-	500	-	-	500
Class N (USD)	-	500	1	-	501
Class O	513,748	-	-	(115,935)	397,813
Value Fund:					
Class A	3,810,427	437,597	55,727	(1,169,750)	3,134,001
Class D	370,317	40,453	6,736	(129,905)	287,601
Class E	-	63,032	2,245	(2,422)	62,855
Class F	9,883,888	2,049,954	144,429	(4,490,436)	7,587,835
Class H	1,045,603	310,690	17,151	(528,933)	844,511
Class I	5,571,572	2,374,862	120,392	(2,073,094)	5,993,732
Class N	-	500	16	-	516
Class O	916,906	75,375	24,050	(41,328)	975,003
Value Fund II:					
Class A	2,945,589	385,351	-	(2,139,958)	1,190,982
Class A1	-	500	-	-	500
Class E	-	500	-	-	500
Class F	5,390,462	616,091	-	(5,217,368)	789,185
Class F1	-	500	-	-	500
Class I	-	500	-	-	500
Class N	-	500	-	-	500
Class O	-	500	-	-	500

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

7. Redeemable units (continued):

2018	Outstanding units, beginning of year	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of year
Corporate Bond Fund:					
Class A	3,206,403	4,348,702	91,245	(1,365,459)	6,280,891
Class A (USD)	101,249	383,426	5,063	(44,983)	444,755
Class D	16,702	235,379	3,215	(101,544)	153,752
Class F	5,733,494	18,175,758	263,578	(4,033,737)	20,139,093
Class F (USD)	1,006,425	1,275,436	20,688	(530,539)	1,772,010
Class H	1,823,363	2,343,928	61,642	(655,282)	3,573,651
Class I	4,127,027	11,173,430	184,537	(2,118,970)	13,366,024
Class O	1,191,011	-	45,526	(448,609)	787,928
Enhanced Income Fund					
Class A	2,985,253	204,235	86,731	(1,455,297)	1,820,922
Class F	5,640,943	944,026	171,372	(3,481,409)	3,274,932
Small Cap Opportunities Fund:					
Class A	1,615,045	353	159	(259,945)	1,355,612
Class B	-	85,600	-	-	85,600
Class F	3,665,716	72,041	4,791	(472,472)	3,270,076
Class G	-	506,955	-	(234,923)	272,032
Class I	427,391	588,368	586	(9,969)	1,006,376
Class N	3,174,979	931,753	25	(816,037)	3,290,720
Class O	265,855	64,573	-	(42,049)	288,379
Strategic Growth and Income Fund:					
Class A	762,169	139,988	38,771	(174,447)	766,481
Class D	1,776	2,591	227	(823)	3,771
Class F	876,675	157,309	19,860	(665,108)	388,736
Class H	524	22,753	1,749	-	25,026
Class I	526	152,909	6,950	(1,699)	158,686
Class O	546	-	45	-	591
US All Cap Equity Fund:					
Class A	651,735	14,814	89,263	(94,948)	660,864
Class A (USD)	53,195	4,452	5,882	(5,385)	58,144
Class D	1,911	10,333	660	(8,532)	4,372
Class F	383,551	30,123	61,790	(51,950)	423,514
Class F (USD)	52,147	4,544	3,900	(31,181)	29,410
Class H	35,431	32,806	5,391	(34,292)	39,336
Class I	28,360	9,746	4,284	(13,730)	28,660
Class O	452,379	-	84,065	(22,696)	513,748
Value Fund:					
Class A	3,084,249	1,480,242	82,507	(836,571)	3,810,427
Class D	287,545	132,667	11,813	(61,708)	370,317
Class F	6,603,036	5,330,806	268,593	(2,318,547)	9,883,888
Class H	910,031	326,051	29,645	(220,124)	1,045,603
Class I	3,592,102	2,807,257	174,818	(1,002,605)	5,571,572
Class O	843,553	55,089	34,819	(16,555)	916,906
Value Fund II:					
Class A	2,877,671	877,753	-	(809,835)	2,945,589
Class F	5,254,270	2,169,630	-	(2,033,438)	5,390,462

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

8. Capital management:

The capital of each Fund is represented by its redeemable units issued. The Funds are not subject to any internally or externally imposed restrictions on their capital. The Funds' objective in managing capital is to ensure a stable base to maximize returns to all unitholders, and to manage liquidity risk arising from unitholder redemptions.

9. Financial risk management:

The Funds are exposed to various financial risks associated with their respective investment objectives and strategies, financial instruments and the markets in which they invest. These include credit risk, liquidity risk, and market risk, which consists of currency risk, interest rate risk and other price risk.

The Manager manages the potential impact of these financial risks on the Funds' performance by employing professional and experienced portfolio advisors who regularly monitor the Funds' positions and market events and diversify investment portfolios within the constraints of the investment guidelines

Each Fund maintains positions in a variety of financial instruments in accordance with its investment objectives and strategies.

Pender Corporate Bond Fund:

The Pender Corporate Bond Fund's objective is to preserve capital and generate returns through current income and capital appreciation. The Fund invests primarily 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, derivatives for hedging purposes, and cash or cash equivalents. The Fund employs a value-based fundamental research process to identify and exploit private and public securities that, in the view of the portfolio advisor, are priced inefficiently.

Pender Enhanced Income Fund:

The objective of the Pender Enhanced Income Fund is to generate long-term growth in value and income by investing in a diversified portfolio of Canadian and foreign equities, corporate bonds, Canadian and foreign government bonds, and exchange traded funds which track sector or broad market indices. The Fund is designed to provide both moderate income and portfolio growth over the long-term, while being sufficiently diversified to mitigate volatility.

Pender Small Cap Opportunities Fund:

The objective of the Pender Small Cap Opportunities Fund is to achieve significant capital appreciation by investing in a concentrated portfolio primarily comprised of well-managed businesses with strong competitive positions that are overlooked by the market. These businesses may be in Canada, the US or in other foreign jurisdictions, with a primary emphasis on companies with a small market capitalization. The Fund may also invest in other securities regardless of market capitalization, sector or region, including other foreign equities where opportunities warrant.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

9. Financial risk management (continued):

Pender Strategic Growth and Income Fund:

The objective of the Pender Strategic Growth and Income Fund is to generate long-term growth in value and income by primarily investing in a diversified portfolio of Canadian and foreign equities, corporate bonds, Canadian and foreign government bonds, and exchange traded funds which track sector or broad market indices. The Fund is designed to provide both moderate income and portfolio growth over the long-term, while being sufficiently diversified to mitigate volatility.

Pender US All Cap Equity Fund:

The primary objective of the Pender US All Cap Equity 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.

Pender Value Fund:

The objective of the Pender Value Fund is to achieve capital growth over the long-term, while being sufficiently diversified to mitigate volatility. The Fund will invest primarily in Canadian and US securities but may also invest in foreign securities. The Fund will focus on businesses that have the potential for growth over the long term and that have securities that trade at favourable prices.

Pender Value Fund II:

The objective of the Pender Value Fund II is to achieve capital growth over the long-term, while being sufficiently diversified to mitigate volatility. The Fund will invest primarily in Canadian and US securities but may also invest in foreign securities. The Fund will focus on businesses that have the potential for growth over the long term and that have securities that trade at favourable prices.

A Fund's exposure to financial risks is concentrated in its investment holdings. The Schedule of Investment Portfolio for each Fund groups securities by asset type, geographic region, and/or market segment. The Pender Enhanced Income Fund and Pender Strategic Growth and Income Fund each carries out part of its investment strategy by investing in Class O units of the Pender Corporate Bond Fund and Pender Small Cap Opportunities Fund. The Pender Enhanced Income Fund and Pender Strategic Growth and Income Fund have indirect exposure to various financial risks through its holdings of underlying mutual funds. The financial risks associated with the Pender Enhanced Income Fund's and Pender Strategic Growth and Income Fund's investment strategy are disclosed based on its direct holdings. The Manager's risk management practices include the monitoring of compliance to investment objectives and strategies. The Manager manages the potential effects of these financial risks on each Fund's performance by regularly monitoring each Fund's positions and market events and by diversifying investment portfolios within the constraints of each Fund's investment objective.

(a) Credit risk:

Credit risk is the risk that a loss could arise due to a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The determination of fair value of debt securities includes a consideration of the creditworthiness of the debt issuer. The credit exposure of other assets is represented by their carrying amounts.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

9. Financial risk management (continued):

(a) Credit risk (continued):

Credit risk is managed by the portfolio advisor of each Fund through a careful selection of securities and diversification within each respective Fund. Each Fund's portfolio advisor monitors their Fund's overall market positions and positions are maintained within established ranges.

The Pender US All Cap Equity Fund and Pender Strategic Growth and Income Fund are not exposed to any significant credit risk. The following table summarizes the maximum exposure to credit risk for the remaining Funds as at December 31, 2019 and 2018, categorized by credit ratings.

	2019	2018
Corporate Bond Fund:		
AAA	\$ 122,529,110	\$ 77,745,057
AA	5,052,150	6,844,153
A	34,169,276	33,850,444
BBB	106,691,107	51,106,646
Below BBB	471,334,171	179,675,072
Unrated	172,511,153	128,217,083
	\$ 912,286,967	\$ 477,438,455
Enhanced Income Fund:		
Below BBB	\$ 50,500	\$ 14,462,564
Unrated	1,497,986	11,438,552
	\$ 1,548,486	\$ 25,901,116
Small Cap Opportunities Fund:		
Unrated	\$ 7,199,750	\$ 7,177,000
	\$ 7,199,750	\$ 7,177,000
Value Fund:		
Unrated	\$ 2,211,593	\$ -
	\$ 2,211,593	\$ -
Value Fund II:		
Unrated	\$ 469,180	\$ 735,951
	\$ 469,180	\$ 735,951

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

9. Financial risk management (continued):

(b) Liquidity risk:

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligations on time or at a reasonable price.

Each Fund is exposed to liquidity risk through unitholder redemptions of its units. The redeemable units of each Fund are issued and redeemed on demand at the option of the unitholder based on the then current NAV per class of unit.

Each Fund is also exposed to liquidity risk through its investments. This risk is managed by investing the majority of each Fund's assets in investments that are traded in an active market and that can be readily disposed. In accordance with securities regulations, each Fund must maintain at least 85% of its assets in liquid investments (i.e., investments that are traded in an active market). In the case where the Funds hold thinly traded investments, timely disposition of such investments and the realized price may be significantly different from their carrying values.

The Manager's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity at all times to meet its liabilities, including estimated redemptions of units, when due, without incurring unacceptable losses or risking damage to the Funds' reputation. Each Fund has the ability to borrow up to 5% of the value of its net assets on a temporary basis for the purpose of settling investment portfolio transactions or unitholder redemptions.

The Funds' remaining non-derivative liabilities other than redeemable units are due within one month of the reporting date of the respective Fund. The following were the contractual maturities of derivative assets (liabilities) of the Pender Corporate Bond Fund as at December 31, 2019 and 2018 that were due within three months of the financial reporting date. The amounts are gross and undiscounted. The remaining Funds did not hold any derivatives as at December 31, 2019 and 2018.

	2019		2018	
	Nominal value	Unrealized gain (loss)	Nominal value	Unrealized gain (loss)
Derivative instruments:				
Inflows (Outflows)	\$ 615,114,500	\$ 10,378,740	\$ 265,269,300	\$ (10,266,145)

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

9. Financial risk management (continued):

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Funds' income or the fair value of their holdings of financial instruments.

(i) Interest rate risk:

Interest rate risk is the risk that the market value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. A Fund's exposure to interest rate risk is concentrated in its investment in debt securities. Other assets and liabilities are short-term in nature and/or non-interest bearing, which reduce interest rate risk.

Interest rate risk is managed by the portfolio advisor of each Fund through a careful selection of securities and diversification within each respective Fund. Where applicable, the Fund's portfolio advisor monitors the Fund's overall duration and positions are maintained within established ranges.

The Pender US All Cap Equity Fund and Pender Strategic Growth and Income Fund are not exposed to any material interest rate risk. The following table summarizes the exposure to interest rate risk for the remaining Funds as at December 31, 2019 and 2018, categorized by the earlier of contractual re- pricing or maturity dates:

	2019	2018
Corporate Bond Fund:		
Less than 1 year	\$ 103,132,056	\$ 89,818,238
1 to 3 years	262,533,941	109,379,978
3 to 5 years	324,621,868	202,717,732
More than 5 years	221,999,102	75,522,507
	\$ 912,286,967	\$ 477,438,455
Enhanced Income Fund:		
Less than 1 year	\$ 832,250	\$ 4,526,484
1 to 3 years	96,188	5,445,769
3 to 5 years	-	5,759,799
More than 5 years	620,048	10,169,064
	\$ 1,548,486	\$ 25,901,116
Small Cap Opportunities Fund:		
1 to 3 years	\$ 4,699,750	\$ 2,000,000
3 to 5 years	2,500,000	5,177,000
	\$ 7,199,750	\$ 7,177,000
Value Fund:		
Less than 1 year	\$ 1,038,840	\$ -
3 to 5 years	1,172,753	-
	\$ 2,211,593	\$ -

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

9. Financial risk management (continued):

(c) Market risk (continued):

(i) Interest rate risk (continued):

	2019		2018	
Value Fund II:				
Less than 1 year	\$	30	\$	235,951
1 to 3 years		469,150		500,000
	\$	469,180	\$	735,951

As at December 31, 2019 and 2018, if the prevailing interest rates had been increased or decreased by 1%, assuming a parallel shift in the yield curve and all other factors remaining constant, the net assets of the Funds with exposure to interest rate risk would have decreased or increased by the following amounts:

	2019		2018	
Corporate Bond Fund	\$	29,942,834	\$	14,972,940
Enhanced Income Fund		7,543		894,765
Small Cap Opportunities Fund		99,067		114,169
Value Fund		45,139		-
Value Fund II		8,773		-

Interest rate sensitivity was determined based on portfolio-weighted, modified duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

9. Financial risk management (continued):

(c) Market risk (continued):

(ii) Currency risk:

Currency risk is the risk that the value of financial assets and liabilities denominated in currencies other than the Canadian dollar will fluctuate due to changes in foreign exchange rates. Equities in foreign markets and foreign bonds are exposed to currency risk as the prices denominated in foreign currencies are converted to Canadian dollars at the valuation date.

Currency risk is managed by the portfolio advisor of each Fund in accordance with the policies and procedures in place, through a careful selection of securities and diversification within each respective Fund. Each Fund's portfolio advisor monitors their Fund's overall market positions on a daily basis and positions are maintained within established ranges.

The Pender Corporate Bond Fund enters into certain forward foreign currency contracts to mitigate its foreign currency exposure for all classes except Class U, the unhedged class.

The net currency exposures for the Funds as at December 31, 2019 and 2018 were as follows:

2019	Canadian dollar	US dollar	Australian dollar	Euro	British pound	Total
Corporate Bond Fund	\$ 940,382,496	\$ 126,314,855	\$ -	\$ -	\$ -	\$ 1,066,697,351
Enhanced Income Fund	60,122,619	6,064,556	-	-	-	66,187,175
Small Cap Opportunities Fund	198,214,097	1,424,029	1,282,449	-	-	200,920,575
Strategic Growth and Income Fund	10,630,537	1,973,052	-	-	-	12,603,589
US All Cap Equity Fund	100,920	16,546,772	-	-	-	16,647,692
Value Fund	163,019,530	132,990,870	-	12,839,213	9,437,389	318,287,002
Value Fund II	15,424,388	11,425,983	-	1,207,449	708,570	28,766,390

2018	Canadian dollar	US dollar	Japanese yen	Euro	Total
Corporate Bond Fund	\$ 465,912,290	\$ 77,583,868	\$ -	\$ -	\$ 543,496,158
Enhanced Income Fund	40,865,103	1,481,150	-	-	42,346,253
Small Cap Opportunities Fund	143,935,664	14,458,747	-	-	158,394,411
Strategic Growth and Income Fund	9,818,998	4,623,863	-	-	14,442,861
US All Cap Equity Fund	544,701	16,193,944	-	-	16,738,645
Value Fund	136,652,925	172,385,343	163	10,023,997	319,062,428
Value Fund II	79,012,872	64,389,535	-	-	143,402,407

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

9. Financial risk management (continued):

(c) Market risk (continued):

(ii) Currency risk (continued):

As at December 31, 2019 and 2018, if the Canadian dollar had strengthened or weakened by 10% in relation to all foreign currencies, with all other factors remaining constant, the net assets of the Funds would have decreased or increased respectively by the following amounts:

	2019	2018
Corporate Bond Fund	\$ 12,631,485	\$ 7,758,387
Enhanced Income Fund	606,456	148,115
Small Cap Opportunities Fund	270,648	1,445,875
Strategic Growth and Income Fund	197,305	462,386
US All Cap Equity Fund	1,654,677	1,619,394
Value Fund	15,526,747	18,240,950
Value Fund II	1,334,200	6,438,954

(iii) Other price risk:

Other price risk is the risk that the fair value of a security will fluctuate as a result of changes in market prices (other than those changes arising from interest rate risk or currency risk), whether caused by factors specific to the security or its issuer, or by factors affecting all similar securities traded in a market.

Other price risk is moderated by the portfolio advisor of each Fund through a careful selection of securities within specified limits and the Funds' price risk is managed through diversification within each respective Fund. Each Fund's portfolio advisor monitors their Fund's overall market positions and positions are maintained within established ranges.

The following table summarizes each Fund's exposure to other price risk as at December 31, 2019 and 2018:

	2019	2018
Corporate Bond Fund	\$ 85,889,152	\$ 60,630,132
Enhanced Income Fund	60,203,390	14,273,242
Small Cap Opportunities Fund	179,368,317	149,095,923
Strategic Growth and Income Fund	12,397,963	14,171,957
US All Cap Equity Fund	15,445,614	16,720,779
Value Fund	290,119,718	312,660,457
Value Fund II	27,091,744	128,664,644

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

9. Financial risk management (continued):

(c) Market risk (continued):

(iii) Other price risk (continued):

As at December 31, 2019 and 2018, if equity prices had increased or decreased by 10% with all other factors remaining constant, the net assets of the Funds would have increased or decreased, respectively, by the following amounts:

	2019	2018
Corporate Bond Fund	\$ 2,133,395	\$ 1,086,992
Enhanced Income Fund	2,647,487	1,429,832
Small Cap Opportunities Fund	11,653,393	10,295,637
Strategic Growth and Income Fund	617,576	707,700
US All Cap Equity Fund	2,064,314	1,640,387
Value Fund	27,054,395	27,439,369
Value Fund II	2,502,676	12,810,410

Price sensitivity was determined based on portfolio-weighted beta. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

10. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Funds determine fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Funds measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the funds can access at the measurement date.
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., as derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

10. Fair value of financial instruments:

(a) Valuation models (continued):

The Funds use widely recognized valuation models for determining the fair value of common and relatively simple financial instruments, such as debt securities, mutual fund units and warrants that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as forward foreign currency contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation, and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets. Valuation techniques may include discounted cash flow techniques for debt securities and for forward foreign currency contracts, option pricing matrices for warrants and net asset value as published by underlying fund managers for mutual fund units.

For more complex instruments, the Funds use recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, may be derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value.

In determining fair value for these types of instruments the Manager considers the history and nature of the business; operating results and financial conditions; general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; comparable company trading and transaction multiples, where applicable, and other pertinent considerations. Adjustments to the carrying value of the investments may also be determined to be appropriate by the Manager when there is pervasive and objective evidence of a decline in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts, or other developments since acquisition.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

10. Fair value of financial instruments (continued):

(a) Valuation models (continued):

The table below presents the fair value of financial instruments as at December 31, 2019 and 2018 by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statements of Financial Position. All fair value measurements below are recurring.

	Level 1		Level 2		Level 3	
	2019	2018	2019	2018	2019	2018
Corporate Bond Fund:						
Bonds and loans	\$ 907,633,224	\$ 471,761,546	\$ -	\$ -	\$ 4,653,743	\$ 5,676,909
Closed end funds	12,962,134	34,832,136	-	-	-	-
Common shares	-	-	-	-	2,084,417	-
Forward foreign currency contracts	-	-	10,378,740	(10,266,145)	-	-
Preferred shares	69,098,547	25,797,996	-	-	-	-
Warrants	-	-	-	-	1,744,054	-
	\$ 989,693,905	\$ 532,391,678	\$ 10,378,740	\$ (10,266,145)	\$ 8,482,214	\$ 5,676,909
Enhanced Income Fund:						
Equities	\$ 37,988,440	\$ 9,220,004	\$ -	\$ -	\$ 2,571,723	\$ 5,053,238
Bonds	50,500	19,045,469	-	-	1,497,986	6,855,647
Forward foreign currency contracts	-	-	-	(386,991)	-	-
Mutual Funds	17,171,729	-	1,220,092	-	-	-
Warrants	-	-	1,406	-	-	25,087
	\$ 55,210,669	\$ 28,265,473	\$ 1,221,598	\$ (386,991)	\$ 4,069,709	\$ 11,933,972
Small Cap Opportunities Fund:						
Equities	\$ 174,400,326	\$ 144,943,599	\$ -	\$ -	\$ 4,033,324	\$ 3,753,324
Bonds	-	-	-	-	7,199,750	7,177,000
Warrants	188,000	368,000	746,667	31,000	-	-
	\$ 174,588,326	\$ 145,311,599	\$ 746,667	\$ 31,000	\$ 11,233,074	\$ 10,930,324
Strategic Growth and Income Fund:						
Mutual funds	\$ 5,172,597	\$ 3,225,771	\$ 669,490	\$ 759,204	\$ -	\$ -
Equities	6,555,876	10,186,982	-	-	-	-
	\$ 11,728,473	\$ 13,412,753	\$ 669,490	\$ 759,204	\$ -	\$ -
US All Cap Equity Fund:						
Equities	\$ 15,445,614	\$ 16,720,779	\$ -	\$ -	\$ -	\$ -
	\$ 15,445,614	\$ 16,720,779	\$ -	\$ -	\$ -	\$ -
Value Fund:						
Equities	\$ 290,119,718	\$ 312,660,457	\$ -	\$ -	\$ -	\$ -
Bonds	1,172,753	-	-	-	1,038,840	-
	\$ 291,292,471	\$ 312,660,457	\$ -	\$ -	\$ 1,038,840	\$ -
Value Fund II:						
Equities	\$ 26,770,615	\$ 127,056,448	\$ -	\$ 1,608,196	\$ 133,451	\$ -
Bonds	-	-	-	-	469,180	735,951
Warrants	187,668	547,635	10	11	-	-
	\$ 26,958,283	\$ 127,604,083	\$ 10	\$ 1,608,207	\$ 602,631	\$ 735,951

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

10. Fair value of financial instruments (continued):

(a) Valuation models (continued):

The carrying amount of the Funds' net assets attributable to holders of redeemable units also approximates fair value as it is measured at the redemption amount and classified as Level 2 in the fair value hierarchy.

There have been no transfers between the Level 1 and Level 2 during the period ended December 31, 2019. Transfers in and out of level 3 were due to changes in the availability of observable market data.

The following table shows a reconciliation of the movement in fair value of all financial instruments categorized within Level 3 for the years ended December 31, 2019 and 2018, for those Funds holding such financial instruments: the Pender Corporate Bond Fund, Pender Enhanced Income Fund, Pender Small Cap Opportunities Fund, Pender Value Fund and Pender Value Fund II. The remaining Funds did not hold any financial instruments categorized with Level 3.

	2019	2018
Corporate Bond Fund:		
Opening balance	\$ 5,676,909	\$ 7,265,191
Purchase of investments	4,965,045	1,723,211
Sales of investments	(5,108,962)	(1,649,388)
Transfers in	2,986,665	-
Total gain (loss) recognized in comprehensive income	(37,443)	(1,662,105)
Ending balance	\$ 8,482,214	\$ 5,676,909
Enhanced Income Fund:		
Opening balance	\$ 11,933,972	\$ 11,068,921
Purchase of investments	2,408,700	189,730
Sales of investments	(8,313,364)	(1,902,921)
Transfers in	1,354,121	-
Transfers out	(15,840)	-
Total gain (loss) recognized in comprehensive income	(3,297,880)	2,578,242
Ending balance	\$ 4,069,709	\$ 11,933,972
Small Cap Opportunities Fund:		
Opening balance	\$ 10,930,324	\$ 5,241,758
Purchase of investments	2,024,595	8,177,000
Sales of investments	(2,000,000)	(2,488,730)
Transfers in	280,000	-
Total gain (loss) recognized in comprehensive income	(1,845)	296
Ending balance	\$ 11,233,074	\$ 10,930,324

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

10. Fair value of financial instruments (continued):

(a) Valuation models (continued):

	2019	2018
Value Fund:		
Opening balance	\$ -	\$ 2,398,146
Purchase of investments	5,503,908	-
Sales of investments	(7,075,855)	(1,146,316)
Total gain (loss) recognized in comprehensive income	2,610,787	(1,251,830)
Ending balance	\$ 1,038,840	\$ -
Value Fund II:		
Opening balance	\$ 735,951	\$ 865,130
Purchase of investments	180,339	592,178
Sales of investments	(90,000)	-
Transfers in	215,951	-
Transfers out	-	(500,000)
Total gain (loss) recognized in comprehensive income	(439,610)	(221,357)
Ending balance	\$ 602,631	\$ 735,951

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

10. Fair value of financial instruments (continued):

(b) Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorized as Level 3 in the fair value hierarchy, as at December 31, 2019 and 2018, for those funds holding such financial instruments: Pender Corporate Bond Fund, Pender Enhanced Income Fund, Pender Small Cap Opportunities Fund, Pender Value Fund and Pender Value Fund II.

2019				
Description	Fair value	Valuation technique	Unobservable input	Sensitivity to change in significant unobservable input
Corporate Bond Fund: Unlisted private investments	\$ 8,482,214	Investment cost/ enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Enhanced Income Fund: Unlisted private investments	\$ 2,571,723	Comparable trading multiples	Market capitalization/ tangible book value/ enterprise value	The estimated fair value would increase if the unobservable input increased
	1,497,986	Net debt to EBITDA	Discount rate/ Loan recoverability	The estimated fair value would increase (decrease for discount rate) if the unobservable Input increased
Small Cap Opportunities Fund: Unlisted private investments	\$ 11,233,074	Investment cost/ enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Value Fund: Unlisted private investments	\$ 1,038,840	Investment cost/ enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Value Fund II: Unlisted private investments	\$ 133,451	Investment cost/ enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
	469,180	Net debt to EBITDA	Discount rate	The estimated fair value would increase if decreased

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

10. Fair value of financial instruments (continued):

(b) Significant unobservable inputs used in measuring fair value (continued):

2018				
Description	Fair value	Valuation technique	Unobservable input	Sensitivity to change in significant unobservable input
Corporate Bond Fund: Unlisted private investments	\$ 5,676,909	Investment cost/ enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Enhanced Income Fund*: Unlisted private investments	\$ 4,466,310	Comparable trading multiples	Regression multiple impending sale/ market capitalization/ tangible book value E/V Assets EV/EBITDA	The estimated fair value would increase if the unobservable input increased
	6,742,655	Net debt to EBITDA	Discount rate Loan recoverability Recoverability of list price	The estimated fair value would increase (decrease for discount rate) if the unobservable input increased
	25,087	Black Scholes	Volatility	The estimated fair value would increase if the volatility increased
Small Cap Opportunities Fund: Unlisted private investments	\$ 10,930,324	Investment cost/ enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
Value Fund II*: Unlisted private investments	\$ 6,742,655	Net debt to EBITDA	Discount rate	The estimated fair value would increase if discount rate decreased

*For Pender Enhanced Income Fund and Pender Value Fund II the remaining fair value of Level 3 positions not included in the table above were based on broker quotes, grey markets and costs. Fair value is not included in the sensitivity analysis as there would be no effect on its estimated value.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

10. Fair value of financial instruments (continued):

- (b) Significant unobservable inputs used in measuring fair value (continued):

Enterprise value represents the estimate of the amount that market participants would pay when purchasing the investee company. The Manager determines this value using valuation techniques such as the use of comparable recent arm's length transactions in shares of the respective company and net present value calculated using discount rates derived from comparable market yields, for example.

- (c) Effects of unobservable input on fair value measurement:

The Pender Corporate Bond Fund, Pender Enhanced Income Fund, Pender Small Cap Opportunities Fund, Pender Value Fund and Pender Value Fund II believe that their estimates of fair value are appropriate, however the use of different methodologies or assumptions could lead to different measurements of fair value. Changing one or more of the assumptions used for fair value measurements in Level 3 to alternative reasonably possible assumptions would have the following effects on the net assets attributable to holders of redeemable units as at December 31, 2019 and 2018. The remaining Funds did not have any financial instruments categorized with Level 3.

	2019	2018
Corporate Bond Fund:		
Favourable	848,221	567,691
Unfavourable	(848,221)	(567,691)
Enhanced Income Fund:		
Favourable	524,156	535,132
Unfavourable	(497,878)	(535,132)
Small Cap Opportunities Fund:		
Favourable	1,123,307	1,093,032
Unfavourable	(1,123,307)	(1,093,032)
Value Fund:		
Favourable	103,884	-
Unfavourable	(103,884)	-
Value Fund II:		
Favourable	33,237	4,260
Unfavourable	(35,650)	(4,360)

The favourable and unfavourable effects of using alternative reasonably possible assumptions for the valuation of unlisted private equity investments have been calculated by recalibrating the model values using unobservable inputs based on averages of the upper and lower quartiles respectively of the above noted Funds' ranges of possible estimates. The recalibrated model considers the impact of a 10% increase or decrease in enterprise value, a 1% increase or decrease in the discount rate, a 0.25x increase or decrease in market capitalization and a 10% increase or decrease on loan recoverability.

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

10. Fair value of financial instruments (continued):

(d) Financial instruments not measured at fair value:

Given their short-term nature, the carrying value of assets and liabilities, other than investments, investments sold short and derivatives, approximates their fair value. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

11. Involvement with structured entities:

The table below describes the type of structured entities in which the Pender Corporate Bond Fund and Pender Strategic Growth and Income Fund hold an interest but which they do not consolidate. The remaining Funds did not hold an interest in structured entities as at December 31, 2019 and 2018.

Entity	Nature and purpose	Interest held by the respective Fund
Investment funds	To manage assets on behalf of third party investors and generate fees for the investment manager. These vehicles are financed through the issue of units to investors	Investment in units issued by the underlying funds

The table below sets out interests held by the Pender Corporate Bond Fund, Pender Enhanced Income Fund and Pender Strategic Growth and Income Fund in unconsolidated structured entities as at December 31, 2019 and 2018. The maximum exposure to loss is the carrying amount of the investment in the underlying funds held.

	Number of investee funds held	Total net assets of investee funds	Carrying amount included in investments
Corporate Bond Fund			
2019	7	\$ 6,042,000,000	\$ 12,962,134
2018	12	13,489,000,000	34,832,136
Enhanced Income Fund			
2019	2	\$ 1,267,617,926	\$ 18,391,821
Strategic Growth and Income Fund			
2019	2	\$ 1,267,617,926	\$ 5,842,087
2018	2	701,890,569	3,984,975

PENDER MUTUAL FUNDS

Notes to Financial Statements

Year ended December 31, 2019

11. Involvement with structured entities (continued):

During the periods ended December 31, 2019 and 2018, Pender Corporate Bond Fund, Pender Enhanced Income Fund and Pender Strategic Growth and Income Fund did not provide financial support to unconsolidated structured entities and have no intention of providing financial or other support. The Pender Corporate Bond Fund, Pender Enhanced Income Fund and Pender Strategic Growth and Income Fund can sell or redeem their units in the above investment funds at any time.

12. Income taxes:

The taxation year-end of the Funds is December 15. As at the end of the tax year-end, the following Funds had accumulated capital losses available for utilization against realized capital gains in future years. Capital losses have no expiry date.

	2019	2018
Corporate Bond Fund	\$ 1,740,169	\$ 6,428,875
Enhanced Income Fund	46,245,028	40,548,842
US All Cap Equities Fund	471,250	-
Value Fund II	67,205,922	4,911,151

As at the end of the tax year-end, the following Funds had accumulated capital losses available for carry forward.

	2019	2018	Expiration year
US All Cap Equities Fund	\$ 187,792	\$ -	2039
Value Fund II	1,974,971	1,974,971	2038

The remaining Funds had no accumulated capital losses or non-capital losses as at the end of the 2019 and 2018 tax year-end.

13. Subsequent events:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak.

As a result of the COVID-19 outbreak, global financial markets have experienced significant volatility. Given the extent of the crisis, it is difficult to estimate the ultimate impact or duration of the volatility on the portfolio of each of the Funds.