

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Pender Corporate Bond Fund

For the year ended December 31, 2019



This annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the annual financial statements at your request, at no cost, by calling toll-free 1-866-377-4743, by writing to us at 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by visiting our website at www.penderfund.com or the SEDAR website at www.sedar.com.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Pender Corporate Bond Fund's (the "Fund") 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.

PenderFund Capital Management Ltd. ("Pender") is the Manager and Portfolio Advisor of the Fund.

Risks

The risks of investing in the Fund are outlined in the Simplified Prospectus dated June 26, 2019. Interest rate risk and credit risk remain the principal risks associated with the Fund. There were no significant changes to the Fund's objectives and strategies that affected its overall level of risk during the year.

Beginning in late 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) in China, which has since then spread rapidly to many parts of the world. The epidemic has resulted in quarantines, travel restrictions, and the temporary closure of stores and facilities in most of the world. In March 2020, the World Health Organization declared the COVID-19 a pandemic. Any potential impact on investment results will depend, to a large extent, on future developments and new information that may emerge regarding the duration and severity of the COVID-19 and the actions taken by government authorities and other entities to contain the COVID-19 or treat its impact, almost all of which are beyond our control.

Results of Operations

The net assets of the Fund as at December 31, 2019 increased overall to \$1,066,697,351 from \$543,496,158 as at December 31, 2018. Of this \$523,201,193 increase, \$39,998,154 is attributable to investment performance and \$483,203,039 is attributable to net unitholder purchases of the Fund.

For the year ended December 31, 2019, Class A units of the Fund generated a total return of 4.7%. Returns for other classes of the Fund will be similar to Class A with any difference in performance being primarily due to the different management fees that are applicable to different classes. Please see the "Past Performance" section for the performance of the Fund's other classes.

The Fund's broad-based benchmark, the FTSE/TMX Canada Universe Bond Index ("FTSE/TMX"), returned 6.9% during the year. In accordance with National Instrument 81-106, we have included a comparison to this broad-based index to help you understand the Fund's performance relative to the general performance of the market, but caution that the Fund's mandate may be significantly different from the index. For example, the Fund's returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund's benchmark, which are based on the performance of an index that does not pay fees or incur expenses.

The following comments and the comments under "Recent Developments" reflect the views of the portfolio management team and are based on information as at the end of the year. Please read the caution regarding forward-looking statements located on the last page of this document.

The Fund's underperformance as compared to its benchmark during 2019 was due to weaknesses in several areas such as the performance of select positions, non-participation in the long duration bond rally over the period and the Fund's exposure to rate reset preferences. We believe that rate reset preferreds offer compelling value relative to other fixed income securities of nearly identical credit risk from the same issuers. Rate reset share prices fell over the period, apparently due to investors believing that dividend resets will occur in the future at strikingly lower levels. Our view with regard to their superior relative value has not changed and we remain a patient holder of these positions. Our position in Just Energy Group Inc.'s convertible notes and preferred shares also detracted from the Fund's performance over the period. Price declines here resulted from the suspension of Just Energy Group Inc.'s common stock dividend, an additional write-down of some accounts receivable and the replacement of the company's CEO. Our Dean Foods Company notes came under pressure in the early part of the year as investors reacted to a covenant waiver provided by senior lenders to give the company time to complete its plant rationalization activities along with a ratings downgrade from the S&P. In the latter part of the year, Dean Foods Company filed for Chapter 11 restructuring and we exited our position on a small post-filing bounce as we felt our weight in this category of the portfolio was better deployed elsewhere. Offsetting these areas of weakness was strength in several holdings in the biotech sector such as Aceto Corporation and Avadel Pharmaceuticals. Aceto Corporation rallied in the first half of the year as the company's liquidation process yielded multiple bids from the company's chemicals business, taking the likely recovery in liquidation close to par. Our holdings in the convertible notes of Avadel Pharmaceuticals rallied significantly over the period as the drug development company reached an agreement with the FDA that had the potential to accelerate the path to approval of its key sleep apnea therapy. Our position in Infinera convertible notes also provided a source of strength.

Results of Operations (continued)

These notes rallied in the second half of the year in part due to the acquisition of competitor Acacia Communications by Cisco and a consequent increased investor focus on valuations of optical networking companies. Homebuilders such as LGI Homes and Beazer, and the Fund's exposure to several municipal closed-end funds also served as sources of strength over the period. During the year, the Fund's exposure to high quality credits remained largely unchanged aside from the addition of a 1.95% weight in several Microsoft issues. These holdings contributed to fund performance in reaction to the rally in government bonds and spread tightening over the period. In addition, the Fund increased its exposure to investment grade rate reset preferreds of BCE Inc. and Husky Energy Inc.

Recent Developments

In December we were drawn by low prices to initiate positions in a number of floating rate securities. Although a disinflationary trend has driven the risk-free rate generally lower for the better part of the past 40 years, we now see a number of positives for floating rate securities, at least for the moment. We begin with price. While much fixed rate credit appears priced for perfection, many floating rate markets have been beaten to tatters. Consider the double-digit discounts to NAV in US closed-end funds that specialize in floating rate senior loans, or the huge discounts to par in Canadian rate reset preferred shares. We also see sizeable discounts to par in long dated floating rate notes issued by US financial institutions. And all of these discounts exist despite much higher current yields available in these instruments compared to fixed rate instruments of comparable credit quality.

Comparatively, current market prices offer an historically unattractive risk/reward proposition to long-term fixed rate bond investors. The US treasury 10-year forward term premium, which measures the incremental yield that investors receive for extending duration, is extraordinarily low. This index whose average value was approximately 2% over the past decade ended December at -0.5%, within striking distance of its historic minimum level.

In addition, the cycle of debt underwriting, which we view as a contrarian indicator, is possibly overheating for longer term fixed rate securities. The only instances in history of US high yield issuers raising 8-year maturity money below 4% occurred in 2019. Meanwhile, floating rate term loan issuance has been relatively weak. If you subscribe to the idea that Wall Street tends to sell its clients things they want as opposed to things they need, then floating rate securities may soon be making a comeback.

Finally, the underlying trend of treasury yields appears, possibly, to be changing. For all the talk of negative yields sweeping the globe, it's important to remember that the record low 5-year US Treasury yield (0.58%) was observed more than seven years ago in 2012 and from that point through today has risen by a factor of almost three times. The trend appears to be moving higher.

The Fund remains positioned with a bias toward short duration credit that should allow us to earn a reasonable return while protecting capital. Our strategy continues to favor well-covered positions with a degree of room for capital appreciation in areas such as discounted closed-end funds, currently out-of-the-money convertible notes, and select credit positions that we believe to be relatively undervalued.

While the initial impact to world markets of the COVID-19 outbreak was muted in January, the widening global impact of COVID-19 and the breakdown of OPEC has resulted in markets reacting with significant downward volatility and turmoil in late February and into the early weeks of March 2020. Certain industries, like tourism, are expected to be hard hit over the short-term and it may take some time for certain industries to rebound. Any potential impact on investment results will depend, to a large extent, on future developments and new information that may emerge regarding the duration and severity of the COVID-19 and the actions taken by government authorities and other entities to contain the COVID-19 or treat its impact, almost all of which are beyond our control.

Related Party Transactions

The Fund pays management and administration fees to the Manager for management and portfolio advisory services (see "Management Fees").

As at the end of the year, parties related to the Manager collectively held less than 1.0% of the Fund's units and the Pender Strategic Growth and Income Fund and Pender Enhanced Income Fund, both funds also managed by the Manager, collectively held 2.2% of the Fund's outstanding units.

Management Fees

The Fund pays management and administration fees calculated as a percentage of the net asset value of each respective class. The fees are calculated at the close of business on each valuation day and are paid monthly. In exchange for the administration fee, the Manager pays the operating costs of the Fund so that the Management Expense Ratio ("MER") for each class does not exceed certain levels as set out in the Fund's offering documents.

Management fees are used by the Manager, in part, to pay sales commissions, trailer fees, marketing costs and other associated distribution costs relating to the sale of units of the Fund.

Such expenses represented approximately 24% of the management fees paid by the Fund to the Manager for the year.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the year and the calendar years indicated.

CLASS A

Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$12.24	\$11.92	\$11.48	\$9.70	\$11.26
Increase (decrease) from operations:					
Total revenue	0.59	0.56	0.61	0.61	0.84
Total expenses	(0.25)	(0.25)	(0.24)	(0.22)	(0.25)
Realized gains (losses)	0.06	0.18	0.90	0.18	(1.17)
Unrealized gains (losses)	0.13	-	(0.49)	1.56	(0.24)
Total increase (decrease) from operations (b)	0.53	0.49	0.78	2.13	(0.82)
Distributions:					
From income (excluding dividends)	(0.30)	(0.32)	(0.30)	(0.36)	(0.53)
From dividends	(0.02)	(0.02)	(0.03)	(0.04)	(0.01)
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	(0.08)
Total annual distributions (b), (c)	(0.32)	(0.34)	(0.33)	(0.40)	(0.62)
Net assets – end of year	\$12.49	\$12.24	\$11.92	\$11.48	\$9.70
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$115,962	\$76,888	\$38,229	\$38,595	\$53,812
Number of units outstanding (a)	9,281,603	6,280,891	3,206,403	3,362,129	5,546,256
Management expense ratio (d)	1.95%	1.95%	1.95%	1.95%	2.22%
Management expense ratio before absorptions (e)	1.95%	1.95%	1.95%	1.95%	2.22%
Trading expense ratio (f)	0.02%	0.05%	0.07%	0.08%	0.02%
Portfolio turnover rate (g)	61.95%	69.13%	95.38%	142.68%	74.82%
Net asset value per unit (a)	\$12.49	\$12.24	\$11.92	\$11.48	\$9.70

CLASS D

Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$11.23	\$10.92	\$10.52	\$8.90	\$10.00
Increase (decrease) from operations:					
Total revenue	0.57	0.43	0.50	0.54	0.36
Total expenses	(0.16)	(0.17)	(0.17)	(0.15)	(0.08)
Realized gains (losses)	0.07	0.16	0.70	0.35	(0.91)
Unrealized gains (losses)	0.05	0.04	(0.35)	1.45	(0.19)
Total increase (decrease) from operations (b)	0.53	0.46	0.68	2.19	(0.82)
Distributions:					
From income (excluding dividends)	(0.33)	(0.36)	(0.33)	(0.37)	(0.25)
From dividends	(0.03)	(0.02)	(0.03)	(0.05)	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	(0.03)
Total annual distributions (b), (c)	(0.36)	(0.38)	(0.36)	(0.42)	(0.28)
Net assets – end of year	\$11.45	\$11.23	\$10.92	\$10.52	\$8.90
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$3,906	\$1,726	\$182	\$48	\$5
Number of units outstanding (a)	341,030	153,752	16,702	4,562	515
Management expense ratio (d)	1.40%	1.40%	1.40%	1.40%	1.61%
Management expense ratio before absorptions (e)	1.40%	1.40%	1.40%	1.40%	1.61%
Trading expense ratio (f)	0.02%	0.05%	0.07%	0.08%	0.02%
Portfolio turnover rate (g)	61.95%	69.13%	95.38%	142.68%	74.82%
Net asset value per unit (a)	\$11.45	\$11.23	\$10.92	\$10.52	\$8.90

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS E					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$10.00				
Increase (decrease) from operations:					
Total revenue	0.16				
Total expenses	(0.01)				
Realized gains (losses)	(0.05)				
Unrealized gains (losses)	0.08				
Total increase (decrease) from operations (b)	0.18				
Distributions:					
From income (excluding dividends)	(0.11)				
From dividends	(0.01)				
From capital gains	-				
Return of capital	-				
Total annual distributions (b), (c)	(0.12)				
Net assets – end of year	\$10.07				
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$3,912				
Number of units outstanding (a)	388,330				
Management expense ratio (d)	0.50%				
Management expense ratio before absorptions (e)	0.50%				
Trading expense ratio (f)	0.02%				
Portfolio turnover rate (g)	61.95%				
Net asset value per unit (a)	\$10.07				
CLASS F					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$12.25	\$11.92	\$11.48	\$9.70	\$11.27
Increase (decrease) from operations:					
Total revenue	0.59	0.56	0.57	0.61	0.85
Total expenses	(0.15)	(0.15)	(0.15)	(0.14)	(0.17)
Realized gains (losses)	0.07	0.13	0.79	0.19	(1.17)
Unrealized gains (losses)	0.12	(0.07)	(0.40)	1.54	(0.19)
Total increase (decrease) from operations (b)	0.63	0.47	0.81	2.20	(0.68)
Distributions:					
From income (excluding dividends)	(0.11)	(0.42)	(0.39)	(0.43)	(0.60)
From dividends	(0.01)	(0.02)	(0.04)	(0.05)	(0.01)
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	(0.09)
Total annual distributions (b), (c)	(0.12)	(0.44)	(0.43)	(0.48)	(0.70)
Net assets – end of year	\$12.50	\$12.25	\$11.92	\$11.48	\$9.70
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$406,674	\$246,709	\$68,365	\$34,938	\$30,490
Number of units outstanding (a)	32,530,750	20,139,093	5,733,494	3,044,053	3,141,898
Management expense ratio (d)	1.15%	1.15%	1.15%	1.15%	1.47%
Management expense ratio before absorptions (e)	1.15%	1.15%	1.15%	1.15%	1.47%
Trading expense ratio (f)	0.02%	0.05%	0.07%	0.08%	0.02%
Portfolio turnover rate (g)	61.95%	69.13%	95.38%	142.68%	74.82%
Net asset value per unit (a)	\$12.50	\$12.25	\$11.92	\$11.48	\$9.70

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS H					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$10.79	\$10.51	\$10.11	\$8.55	\$9.88
Increase (decrease) from operations:					
Total revenue	0.51	0.51	0.52	0.60	0.74
Total expenses	(0.19)	(0.19)	(0.18)	(0.17)	(0.18)
Realized gains (losses)	0.06	0.15	0.74	0.07	(1.07)
Unrealized gains (losses)	0.11	(0.03)	(0.39)	1.26	(0.13)
Total increase (decrease) from operations (b)	0.49	0.44	0.69	1.76	(0.64)
Distributions:					
From income (excluding dividends)	(0.30)	(0.31)	(0.30)	(0.34)	(0.49)
From dividends	(0.02)	(0.02)	(0.03)	(0.04)	(0.01)
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	(0.07)
Total annual distributions (b), (c)	(0.32)	(0.33)	(0.33)	(0.38)	(0.57)
Net assets – end of year	\$11.01	\$10.79	\$10.51	\$10.11	\$8.55
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$62,459	\$38,560	\$19,159	\$12,116	\$5,738
Number of units outstanding (a)	5,671,949	3,573,651	1,823,363	1,198,204	671,067
Management expense ratio (d)	1.65%	1.65%	1.65%	1.65%	1.84%
Management expense ratio before absorptions (e)	1.65%	1.65%	1.65%	1.65%	1.84%
Trading expense ratio (f)	0.02%	0.05%	0.07%	0.08%	0.02%
Portfolio turnover rate (g)	61.95%	69.13%	95.38%	142.68%	74.82%
Net asset value per unit (a)	\$11.01	\$10.79	\$10.51	\$10.11	\$8.55

CLASS I					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$10.53	\$10.24	\$9.85	\$8.34	\$9.66
Increase (decrease) from operations:					
Total revenue	0.51	0.51	0.48	0.55	0.70
Total expenses	(0.11)	(0.12)	(0.10)	(0.11)	(0.12)
Realized gains (losses)	0.05	0.10	0.66	0.16	(1.03)
Unrealized gains (losses)	0.08	(0.09)	(0.32)	1.24	(0.37)
Total increase (decrease) from operations (b)	0.53	0.40	0.72	1.84	(0.82)
Distributions:					
From income (excluding dividends)	(0.35)	(0.37)	(0.35)	(0.39)	(0.53)
From dividends	(0.03)	(0.02)	(0.03)	(0.04)	(0.01)
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	(0.08)
Total annual distributions (b), (c)	(0.38)	(0.39)	(0.38)	(0.43)	(0.62)
Net assets – end of year	\$10.74	\$10.53	\$10.24	\$9.85	\$8.34
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$381,228	\$140,680	\$42,272	\$16,158	\$14,004
Number of units outstanding (a)	35,491,065	13,366,024	4,127,027	1,639,624	1,679,060
Management expense ratio (d)	1.00%	1.00%	1.00%	1.00%	1.26%
Management expense ratio before absorptions (e)	1.00%	1.00%	1.00%	1.00%	1.26%
Trading expense ratio (f)	0.02%	0.05%	0.07%	0.08%	0.02%
Portfolio turnover rate (g)	61.95%	69.13%	95.38%	142.68%	74.82%
Net asset value per unit (a)	\$10.74	\$10.53	\$10.24	\$9.85	\$8.34

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS N					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$10.00				
Increase (decrease) from operations:					
Total revenue	0.22				
Total expenses	(0.04)				
Realized gains (losses)	(0.03)				
Unrealized gains (losses)	0.04				
Total increase (decrease) from operations (b)	0.19				
Distributions:					
From income (excluding dividends)	(0.17)				
From dividends	(0.02)				
From capital gains	-				
Return of capital	-				
Total annual distributions (b), (c)	(0.19)				
Net assets – end of year	\$10.01				
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$17,211				
Number of units outstanding (a)	1,719,279				
Management expense ratio (d)	0.75%				
Management expense ratio before absorptions (e)	0.75%				
Trading expense ratio (f)	0.02%				
Portfolio turnover rate (g)	61.95%				
Net asset value per unit (a)	\$10.01				

CLASS O					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$10.64	\$10.37	\$9.97	\$8.49	\$9.84
Increase (decrease) from operations:					
Total revenue	0.48	0.51	0.50	0.42	0.74
Total expenses	-	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses)	0.06	0.23	0.70	0.44	(1.01)
Unrealized gains (losses)	0.21	0.11	(0.34)	1.16	(0.06)
Total increase (decrease) from operations (b)	0.75	0.84	0.85	2.01	(0.34)
Distributions:					
From income (excluding dividends)	(0.43)	(0.47)	(0.44)	(0.47)	(0.65)
From dividends	(0.05)	(0.03)	(0.05)	(0.06)	(0.01)
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	(0.09)
Total annual distributions (b), (c)	(0.48)	(0.50)	(0.49)	(0.53)	(0.75)
Net assets – end of year	\$10.87	\$10.64	\$10.37	\$9.97	\$8.49
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$27,198	\$8,387	\$12,351	\$7,813	\$3,038
Number of units outstanding (a)	2,501,605	787,928	1,191,011	783,439	357,754
Management expense ratio (d)	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (e)	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio (f)	0.02%	0.05%	0.07%	0.08%	0.02%
Portfolio turnover rate (g)	61.95%	69.13%	95.38%	142.68%	74.82%
Net asset value per unit (a)	\$10.87	\$10.64	\$10.37	\$9.97	\$8.49

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS U					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$10.00				
Increase (decrease) from operations:					
Total revenue	0.25				
Total expenses	(0.06)				
Realized gains (losses)	-				
Unrealized gains (losses)	(0.16)				
Total increase (decrease) from operations (b)	0.03				
Distributions:					
From income (excluding dividends)	(0.14)				
From dividends	(0.02)				
From capital gains	-				
Return of capital	-				
Total annual distributions (b), (c)	(0.16)				
Net assets – end of year	\$9.95				
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$6				
Number of units outstanding (a)	588				
Management expense ratio (d)	1.15%				
Management expense ratio before absorptions (e)	1.15%				
Trading expense ratio (f)	0.02%				
Portfolio turnover rate (g)	61.95%				
Net asset value per unit (a)	\$9.95				

CLASS A (USD)					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$13.89	\$12.48	\$12.67	\$11.08	\$10.78
Increase (decrease) from operations:					
Total revenue	0.78	1.07	0.46	0.66	0.88
Total expenses	(0.28)	(0.29)	(0.26)	(0.24)	(0.25)
Realized gains (losses)	0.08	0.01	0.98	(0.24)	0.57
Unrealized gains (losses)	(0.48)	0.73	(0.96)	0.58	(0.15)
Total increase (decrease) from operations (b)	0.10	1.52	0.22	0.76	1.05
Distributions:					
From income (excluding dividends)	(0.33)	(0.35)	(0.31)	(0.42)	(0.57)
From dividends	(0.03)	(0.02)	(0.04)	(0.03)	(0.01)
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	(0.08)
Total annual distributions (b), (c)	(0.36)	(0.37)	(0.35)	(0.45)	(0.66)
Net assets – end of year	\$13.66	\$13.89	\$12.48	\$12.67	\$11.08
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$6,018	\$6,177	\$1,264	\$1,420	\$4,291
Number of units outstanding (a)	440,638	444,755	101,249	112,029	387,216
Management expense ratio (d)	1.95%	1.95%	1.95%	1.95%	2.20%
Management expense ratio before absorptions (e)	1.95%	1.95%	1.95%	1.95%	2.20%
Trading expense ratio (f)	0.02%	0.05%	0.07%	0.08%	0.02%
Portfolio turnover rate (g)	61.95%	69.13%	95.38%	142.68%	74.82%
Net asset value per unit (a)	\$13.66	\$13.89	\$12.48	\$12.67	\$11.08

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS F (USD)					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$13.75	\$12.35	\$12.54	\$11.04	\$10.74
Increase (decrease) from operations:					
Total revenue	0.75	1.05	0.38	1.17	0.88
Total expenses	(0.16)	(0.17)	(0.14)	(0.16)	(0.17)
Realized gains (losses)	0.11	0.08	0.67	(0.33)	0.80
Unrealized gains (losses)	(0.53)	0.75	(0.83)	0.78	(0.24)
Total increase (decrease) from operations (b)	0.17	1.71	0.08	1.46	1.27
Distributions:					
From income (excluding dividends)	(0.43)	(0.44)	(0.43)	(0.47)	(0.65)
From dividends	(0.03)	(0.02)	(0.04)	(0.05)	(0.01)
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	(0.10)
Total annual distributions (b), (c)	(0.46)	(0.46)	(0.47)	(0.52)	(0.76)
Net assets – end of year	\$13.52	\$13.75	\$12.35	\$12.54	\$11.04
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$20,175	\$24,368	\$12,427	\$985	\$1,464
Number of units outstanding (a)	1,492,314	1,772,010	1,006,425	78,583	132,598
Management expense ratio (d)	1.15%	1.15%	1.15%	1.15%	1.46%
Management expense ratio before absorptions (e)	1.15%	1.15%	1.15%	1.15%	1.46%
Trading expense ratio (f)	0.02%	0.05%	0.07%	0.08%	0.02%
Portfolio turnover rate (g)	61.95%	69.13%	95.38%	142.68%	74.82%
Net asset value per unit (a)	\$13.52	\$13.75	\$12.35	\$12.54	\$11.04

CLASS H (USD)					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$13.10				
Increase (decrease) from operations:					
Total revenue	0.31				
Total expenses	(0.11)				
Realized gains (losses)	(0.01)				
Unrealized gains (losses)	(0.38)				
Total increase (decrease) from operations (b)	(0.19)				
Distributions:					
From income (excluding dividends)	(0.18)				
From dividends	(0.01)				
From capital gains	-				
Return of capital	-				
Total annual distributions (b), (c)	(0.19)				
Net assets – end of year	\$13.02				
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$2,680				
Number of units outstanding (a)	205,849				
Management expense ratio (d)	1.65%				
Management expense ratio before absorptions (e)	1.65%				
Trading expense ratio (f)	0.02%				
Portfolio turnover rate (g)	61.95%				
Net asset value per unit (a)	\$13.02				

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS I (USD)					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$13.10				
Increase (decrease) from operations:					
Total revenue	0.38				
Total expenses	(0.07)				
Realized gains (losses)	(0.03)				
Unrealized gains (losses)	(0.17)				
Total increase (decrease) from operations (b)	0.11				
Distributions:					
From income (excluding dividends)	(0.21)				
From dividends	(0.02)				
From capital gains	-				
Return of capital	-				
Total annual distributions (b), (c)	(0.23)				
Net assets – end of year	\$13.04				
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$15,621				
Number of units outstanding (a)	1,197,716				
Management expense ratio (d)	1.00%				
Management expense ratio before absorptions (e)	1.00%				
Trading expense ratio (f)	0.02%				
Portfolio turnover rate (g)	61.95%				
Net asset value per unit (a)	\$13.04				

CLASS N (USD)					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$13.10				
Increase (decrease) from operations:					
Total revenue	0.36				
Total expenses	(0.05)				
Realized gains (losses)	(0.02)				
Unrealized gains (losses)	(0.17)				
Total increase (decrease) from operations (b)	0.12				
Distributions:					
From income (excluding dividends)	(0.22)				
From dividends	(0.02)				
From capital gains	-				
Return of capital	-				
Total annual distributions (b), (c)	(0.24)				
Net assets – end of year	\$13.00				
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$3,648				
Number of units outstanding (a)	280,525				
Management expense ratio (d)	0.75%				
Management expense ratio before absorptions (e)	0.75%				
Trading expense ratio (f)	0.02%				
Portfolio turnover rate (g)	61.95%				
Net asset value per unit (a)	\$13.00				

FINANCIAL HIGHLIGHTS (CONTINUED)**Footnotes:**

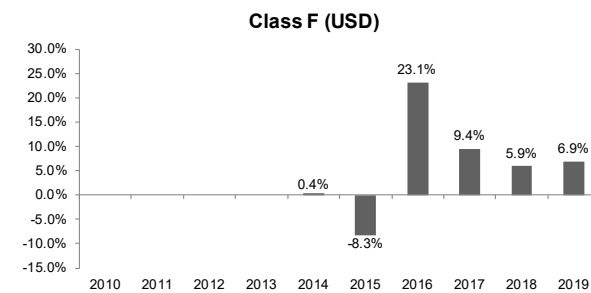
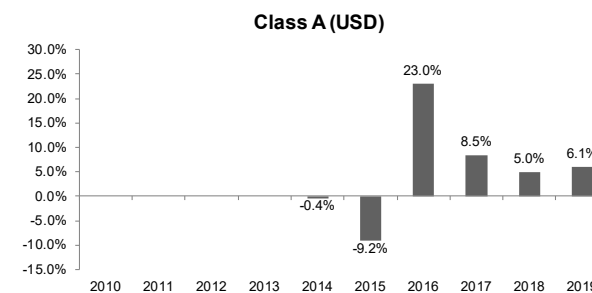
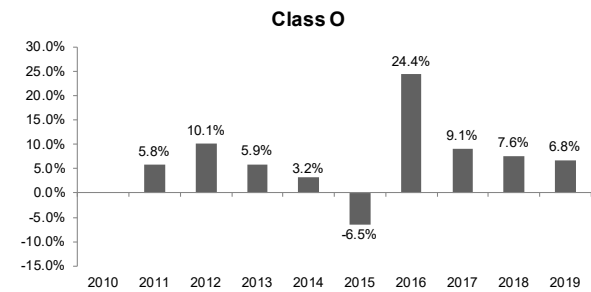
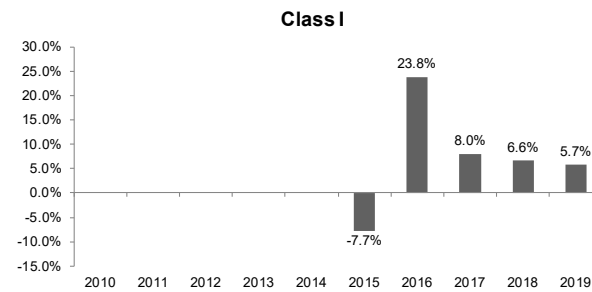
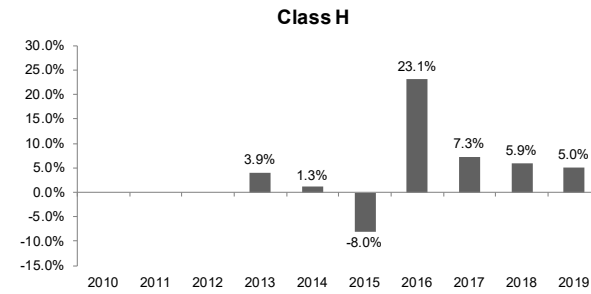
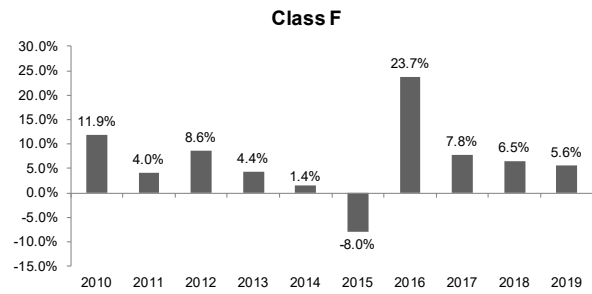
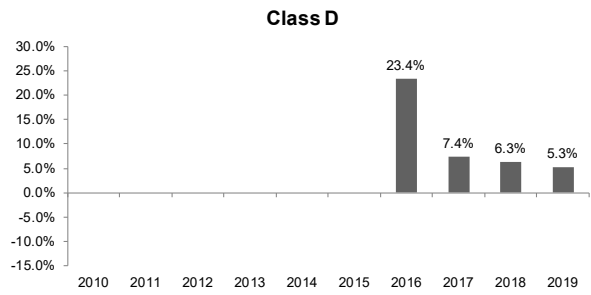
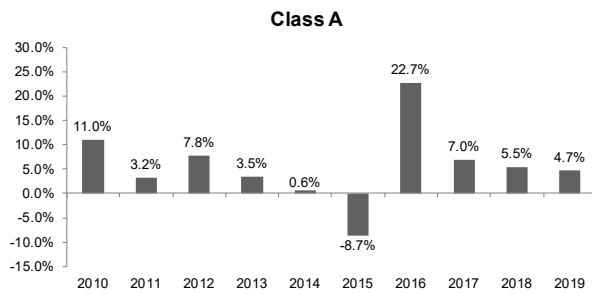
- (a) This information is derived from the Fund's audited annual financial statements as at December 31 for the year stated, prepared under International Financial Reporting Standards. Class H (USD), Class I (USD), Class N, Class N (USD), and Class U commenced operations on June 28, 2019 and Class E commenced operations on August 30, 2019.
- (b) Net assets per unit and distributions per unit are based on the actual number of units for the relevant Fund class outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding during the year.
- (c) Distributions were paid in cash and/or reinvested in additional units of the Fund.
- (d) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the year and is expressed as an annualized percentage of daily average net asset value during the year. The MER may vary from one class of units to another because of differences in the applicable management fees and certain fees and expenses may have been absorbed by the Manager which would otherwise be reflected in the Fund.
- (e) The Manager of the Fund has agreed to absorb sufficient expenses of the Fund, as necessary, such that the annual MER after all charges and taxes (including sales, goods and services and other similar charges) will not exceed certain limits as outlined in the Fund's Simplified Prospectus. The amount of expenses absorbed is at the discretion of the Manager as set out in the Fund's Simplified Prospectus and the Manager may in its sole discretion cease to absorb expenses.
- (f) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year.
- (g) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. In general, the higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

PAST PERFORMANCE

The following charts show the past performance for the units of each class of the Fund and do not necessarily indicate how the Fund will perform in the future. The information shown assumes that any distributions made by the Fund were reinvested in additional units of the Fund. Returns would be different if an investor did not reinvest distributions. In addition, the information does not take into account sales, redemptions, income taxes payable or other charges that would have reduced returns or performance.

Year-by-Year Returns

To illustrate how the Fund’s performance has varied over time, the following bar charts show the annual returns for the calendar years indicated. The information is presented starting from the first full financial year of the respective Fund class. In percentage terms, the bar charts show how much an investment held on the first day of the year would have increased or decreased by the last day of the year.



Annual Compound Returns

The annual compound returns table compares the Fund's performance to one or more benchmarks. Benchmarks are usually an index or a composite of more than one index. An index is generally made up of a group of securities. Since the Fund does not necessarily invest in the same securities as an index or in the same proportion, the Fund's performance is not expected to equal the performance of the index. Fund returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund's benchmark, which is based on the performance of an index that does not pay fees or incur expenses. It may be more helpful to compare the Fund's performance to that of other mutual funds with similar objectives and investment disciplines.

The Fund's broad-based benchmark is FTSE/TMX Canada Universe Bond Index. The FTSE/TMX Canada Bond Universe Index is the broadest and most widely used measure of performance of marketable government and corporate bonds outstanding in the Canadian market. With the exception of Class A (USD) and Class F (USD), the performance of the Fund is compared to the benchmark's performance in Canadian dollars. Performance for Class A (USD) and Class F (USD) are compared to the benchmark's performance in U.S. dollars.

A discussion of the performance of the Fund as compared to its benchmarks is found in the "Results of Operations" section of this report.

	One Year	Three Year	Five Year	Since Inception	Inception Date
Class A	4.7%	5.8%	5.8%	6.1%	06/01/2009
FTSE/TMX	6.9%	3.6%	3.2%	4.4%	
Class D	5.3%	6.3%	-	7.1%	06/30/2015
FTSE/TMX	6.9%	3.6%	3.2%	3.0%	
Class F	5.6%	6.6%	6.6%	6.9%	06/01/2009
FTSE/TMX	6.9%	3.6%	3.2%	4.4%	
Class H	5.0%	6.1%	6.2%	5.5%	06/19/2012
FTSE/TMX	6.9%	3.6%	3.2%	3.3%	
Class I	5.7%	6.8%	6.8%	6.0%	06/30/2014
FTSE/TMX	6.9%	3.6%	3.2%	3.5%	
Class O	6.8%	7.8%	7.8%	7.1%	11/24/2010
FTSE/TMX	6.9%	3.6%	3.2%	3.9%	
Class A (USD)	6.1%	6.5%	6.2%	4.9%	08/30/2013
FTSE/TMX (USD)	12.4%	4.7%	0.9%	0.6%	
Class F (USD)	6.9%	7.4%	6.9%	5.6%	08/30/2013
FTSE/TMX (USD)	12.4%	4.7%	0.9%	0.6%	

SUMMARY OF INVESTMENT PORTFOLIO

The largest holdings of the Fund as at the end of the year and the major asset classes in which the Fund was invested are indicated below. The investment portfolio may change due to ongoing portfolio transactions. An update of the Fund's summary of investment portfolio as at the end of each calendar quarter is available from the Manager. Please see the front page of this document for information about how this can be obtained.

Summary of Top 25 Holdings

	% of Net Assets
Verisign, Inc., 4.63%, 2023/05/01	2.8
Open Text Corporation, 5.63%, 2023/01/15	2.6
Talos Production LLC, 11.00%, 2022/04/03	2.0
The Kraft Heinz Foods Company, 4.88%, 2025/02/15	2.0
W&T Offshore, Inc., 9.75%, 2023/11/01	1.9
Avaya Holdings Corp., 2.25, 2023/06/15	1.7
Louisiana-Pacific Corporation, 4.88%, 2024/09/15	1.7
SunPower Corporation, 0.88%, 2021/06/01	1.7
Carbonite, Inc., 2.50%, 2022/04/01	1.6
Gartner, Inc., 5.13%, 2025/04/01	1.6
Osisko Gold Royalties Ltd., 4.00%, 2022/12/31	1.6
LGI Homes, Inc., 6.88%, 2026/07/15	1.5
McDonald's Corporation, 3.13%, 2025/03/04	1.5
Element Fleet Management Corp., 4.25%, 2020/06/30	1.4
Frontdoor, Inc., 6.75%, 2026/08/15	1.4
Rite Aid Corp., 6.13%, 2023/04/01	1.4
SunPower Corporation, 4.00%, 2023/01/15	1.4
Tutor Perini Corporation, 6.88%, 2025/05/01	1.4
Canadian National Railway Company, 2.75%, 2021/02/18	1.3
Paratek Pharmaceuticals Inc., 4.75%, 2024/05/01	1.3
Taseko Mines Ltd., 8.75%, 2022/06/15	1.3
Eldorado Gold Corporation, 9.50%, 2024/06/01	1.2
Frontier Communications Corporation, 8.00%, 2027/04/01	1.2
Parkland Fuel Corporation, 6.00%, 2022/11/21	1.2
Twitter, Inc., 1.00%, 2021/09/15	1.2

Summary of Composition of the Portfolio

	% of Net Assets
US corporate bonds and loans	51.7
Canadian corporate bonds and loans	21.8
Government bonds	8.8
Preferred shares	6.5
Foreign corporate bonds and loans	3.2
Closed end funds	1.2
Common shares	0.2
Total investments	93.4
Derivative assets	1.0
Warrants	0.2
Total investment portfolio	94.6
Cash	5.5
Other assets less liabilities	(0.1)
Total net assets	100.0

Caution Regarding Forward-Looking Statements

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

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

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

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

PENDER

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