

**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

# Pender Enhanced Income Fund

For the year ended December 31, 2019

The logo for Pender, featuring the word "PENDER" in a bold, serif font. The letter "N" is stylized with a diagonal slash through it.

This 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](http://www.penderfund.com) or the SEDAR website at [www.sedar.com](http://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 objective of the Pender Enhanced Income Fund (the "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. It is designed to provide both moderate income and portfolio growth over the long-term, while being sufficiently diversified to mitigate volatility.

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 Amended and Restated Simplified Prospectus dated December 17, 2019. 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

PenderFund Capital Management Ltd. became the portfolio advisor for the fund on July 1, 2019.

On December 15, 2019, Pender announced the closing of its previously announced acquisition of certain investment management fund contracts from Vertex One Asset Management Inc. (the "Transaction"). The Transaction included Vertex Enhanced Income Fund, which was then renamed to Pender Enhanced Income Fund. Concurrent with the completion of 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 to Pender Enhanced Income Fund. The merger resulted in an increase of \$48,319,414 in net assets attributable to unitholders of the continuing fund, Pender Enhanced Income Fund. The performance of the fund was reset as at December 15, 2019, the date of the merger.

The net assets of the Fund as at December 31, 2019 were \$66,187,175 versus \$42,346,253 as at December 31, 2018. Of this \$23,840,922 increase, \$1,494,807 is attributable to investment performance, and \$22,346,115 is attributable to net unitholder purchases of the Fund.

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. This discussion focuses on our investment process and rather than that of the former manager of the fund, Vertex One Asset Management Inc. Please read the caution regarding forward-looking statements located on the last page of this document.

We do not actively manage sector weightings in the Fund, rather, our sector weightings are determined by individual stock selection through a bottom-up fundamental investment process. We seek to own stocks where our estimated range for the long-term intrinsic value of the business is higher than the current share price.

Since assuming advisory of the Fund, portfolio transactions were based on our stock selection process. In general, we increased weightings of individual stocks where we determined the margin of safety had increased and decreased their weightings as their traded market values moved closer to our estimates of their intrinsic values. We may liquidate our positions for various reasons, such as when share prices have reached our assessment of fair value, when an acquisition has occurred, or where we have changed our investment thesis.

Overall sector exposure of the Fund is determined by stock selection decisions and may shift from time to time. As at December 31, 2019 we were weighted toward holdings in Energy, Diversified financials, and Real estate. These top three sectors accounted for 42.8% of the Fund at the end of the year.

## Recent Developments

### Equity outlook

The equity portion of the portfolio takes a value-based approach through a portfolio of North American and foreign securities with the objectives of a) capital appreciation, b) income generation and c) capital preservation. Equity markets were strong in 2019 with bullish market sentiment and valuation multiple expansion, particularly those of larger and mega-cap companies. Given the higher valuations of larger market capitalization companies, the equity portion of the fund focused on smaller and mid-cap companies where valuations are still compelling and we continue to find attractive investment opportunities.

All things being equal, we prefer dividend-paying companies, but we believe the global chase for income has driven the valuations of many higher dividend yielding large-cap stocks to increasingly unattractive levels. As a result, the fund's holding of small and mid-cap dividend paying stocks is expected to increase while returns will be derived from a balance of dividends and capital appreciation. We also anticipate that we will have less exposure to resources and more exposure to less cyclically driven sectors.

The US dollar was relatively flat, depreciating slightly against the Canadian dollar. The purchasing power of all currencies depreciates over time, but the relative rate of decline between currencies is a function of governmental action and discipline. As value-seeking long-term investors, we believe it makes sense to concentrate action at the extreme points in valuation and remain patient during the longer stretches in between. As such, we are not inclined to hedge currency exposure at this time.

### Fixed income outlook

In December we were drawn by low prices to initiate positions in a number of floating rate securities in the Pender Corporate Bond Fund, the Fund is primary fixed income asset. 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 Pender Corporate Bond Fund remains positioned with a bias toward short duration credit that should allow us to earn a reasonable return on all primary fixed income asset while protecting capital. The Pender Corporate Bond Fund 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 0% of the Fund's units.

As part of the Fund's investment strategy, the Fund invests in Class O units of the Pender Corporate Bond Fund and Pender Small Cap Opportunities Fund, mutual funds also managed by the Manager. The Fund does not pay any duplicate management fees on its investment in these mutual funds.

### 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. Prior to December 15, 2019 the Fund, under the management of the Former Manager, was responsible for the responsible for the payment of all fees and expenses relating to its operation. Additionally, prior to December 15, 2019, the management fee for Class A was 1.50% and was changed to 1.75%.

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.

As the Transaction closed on December 15, 2019, such expenses represented approximately 0% 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.

<b>CLASS A</b>					
<b>Fund's Net Assets Per Unit (a)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net assets – beginning of year	\$8.23	\$9.38	\$9.56	\$9.03	\$11.11
<b>Increase (decrease) from operations:</b>					
Total revenue	0.32	0.57	0.60	0.82	0.91
Total expenses	(0.28)	(0.23)	(0.21)	(0.21)	(0.21)
Realized gains (losses)	(1.12)	(1.93)	0.70	(0.11)	(1.14)
Unrealized gains (losses)	1.18	0.99	(0.74)	0.60	(0.74)
<b>Total increase (decrease) from operations (b)</b>	<b>0.10</b>	<b>(0.60)</b>	<b>0.35</b>	<b>1.10</b>	<b>(1.18)</b>
<b>Distributions:</b>					
From income (excluding dividends)	-	(0.30)	(0.40)	(0.65)	(0.71)
From dividends	(0.01)	(0.07)	(0.03)	(0.03)	(0.04)
From capital gains	-	-	-	-	-
Return of capital	(0.39)	(0.09)	(0.05)	-	-
<b>Total annual distributions (b), (c)</b>	<b>(0.40)</b>	<b>(0.46)</b>	<b>(0.48)</b>	<b>(0.68)</b>	<b>(0.75)</b>
<b>Net assets – end of year</b>	<b>\$7.53</b>	<b>\$8.23</b>	<b>\$9.38</b>	<b>\$9.56</b>	<b>\$9.03</b>
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$18,234	\$14,982	\$27,991	\$47,727	\$64,495
Number of units outstanding (a)	2,421,712	1,820,922	2,985,253	4,993,155	7,141,563
Management expense ratio (d)	3.07%	2.36%	2.07%	2.18%	1.89%
Management expense ratio before absorptions (e)	3.07%	2.36%	2.07%	2.18%	1.89%
Trading expense ratio (f)	0.15%	0.12%	0.08%	0.07%	0.07%
Portfolio turnover rate (g)	194.29%	53.48%	77.82%	39.70%	26.80%
Net asset value per unit (a)	\$7.53	\$8.23	\$9.38	\$9.56	\$9.03

<b>CLASS A1</b>					
<b>Fund's Net Assets Per Unit (a)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net assets – beginning of year	\$10.00				
<b>Increase (decrease) from operations:</b>					
Total revenue	-				
Total expenses	-				
Realized gains (losses)	-				
Unrealized gains (losses)	-				
<b>Total increase (decrease) from operations (b)</b>	<b>-</b>				
<b>Distributions:</b>					
From income (excluding dividends)	-				
From dividends	-				
From capital gains	-				
Return of capital	-				
<b>Total annual distributions (b), (c)</b>	<b>-</b>				
<b>Net assets – end of year</b>	<b>\$10.00</b>				
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$5				
Number of units outstanding (a)	500				
Management expense ratio (d)	0.00%				
Management expense ratio before absorptions (e)	0.00%				
Trading expense ratio (f)	0.15%				
Portfolio turnover rate (g)	194.29%				
Net asset value per unit (a)	\$10.00				

## FINANCIAL HIGHLIGHTS (CONTINUED)

<b>CLASS E</b>					
<b>Fund's Net Assets Per Unit (a)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net assets – beginning of year	\$10.00				
<b>Increase (decrease) from operations:</b>					
Total revenue	-				
Total expenses	-				
Realized gains (losses)	-				
Unrealized gains (losses)	-				
<b>Total increase (decrease) from operations (b)</b>	<b>-</b>				
<b>Distributions:</b>					
From income (excluding dividends)	-				
From dividends	-				
From capital gains	-				
Return of capital	-				
<b>Total annual distributions (b), (c)</b>	<b>-</b>				
<b>Net assets – end of year</b>	<b>\$10.00</b>				
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$5				
Number of units outstanding (a)	500				
Management expense ratio (d)	0.00%				
Management expense ratio before absorptions (e)	0.00%				
Trading expense ratio (f)	0.15%				
Portfolio turnover rate (g)	194.29%				
Net asset value per unit (a)	\$10.00				

<b>CLASS F</b>					
<b>Fund's Net Assets Per Unit (a)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net assets – beginning of year	\$8.36	\$9.45	\$9.55	\$8.95	\$8.95
<b>Increase (decrease) from operations:</b>					
Total revenue	0.35	0.58	0.61	0.82	0.92
Total expenses	(0.22)	(0.16)	(0.13)	(0.13)	(0.13)
Realized gains (losses)	(0.90)	(1.96)	0.70	(0.11)	(1.15)
Unrealized gains (losses)	1.29	0.99	(0.83)	0.66	(0.70)
<b>Total increase (decrease) from operations (b)</b>	<b>0.52</b>	<b>(0.55)</b>	<b>0.35</b>	<b>1.24</b>	<b>(1.06)</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.04)	(0.36)	(0.40)	(0.65)	(0.88)
From dividends	(0.13)	(0.07)	(0.04)	(0.03)	(0.05)
From capital gains	-	-	-	-	-
Return of capital	(0.24)	(0.02)	(0.04)	-	-
<b>Total annual distributions (b), (c)</b>	<b>(0.41)</b>	<b>(0.45)</b>	<b>(0.48)</b>	<b>(0.68)</b>	<b>(0.93)</b>
<b>Net assets – end of year</b>	<b>\$7.71</b>	<b>\$8.36</b>	<b>\$9.45</b>	<b>\$9.55</b>	<b>\$8.95</b>
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$47,924	\$27,364	\$53,280	\$54,685	\$57,767
Number of units outstanding (a)	6,217,314	3,274,932	5,640,943	5,725,384	6,452,840
Management expense ratio (d)	2.23%	1.55%	1.26%	1.37%	1.08%
Management expense ratio before absorptions (e)	2.23%	1.55%	1.26%	1.37%	1.08%
Trading expense ratio (f)	0.15%	0.12%	0.08%	0.07%	0.07%
Portfolio turnover rate (g)	194.29%	53.48%	77.48%	39.70%	26.80%
Net asset value per unit (a)	\$7.71	\$8.36	\$9.45	\$9.55	\$8.95

## FINANCIAL HIGHLIGHTS (CONTINUED)

## CLASS F1

<b>Fund's Net Assets Per Unit (a)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net assets – beginning of year	\$10.00				
<b>Increase (decrease) from operations:</b>					
Total revenue	-				
Total expenses	-				
Realized gains (losses)	-				
Unrealized gains (losses)	-				
<b>Total increase (decrease) from operations (b)</b>	-				
<b>Distributions:</b>					
From income (excluding dividends)	-				
From dividends	-				
From capital gains	-				
Return of capital	-				
<b>Total annual distributions (b), (c)</b>	-				
<b>Net assets – end of year</b>	<b>\$10.00</b>				
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$5				
Number of units outstanding (a)	500				
Management expense ratio (d)	0.00%				
Management expense ratio before absorptions (e)	0.00%				
Trading expense ratio (f)	0.15%				
Portfolio turnover rate (g)	194.29%				
Net asset value per unit (a)	\$10.00				

## CLASS I

<b>Fund's Net Assets Per Unit (a)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net assets – beginning of year	\$10.00				
<b>Increase (decrease) from operations:</b>					
Total revenue	-				
Total expenses	-				
Realized gains (losses)	-				
Unrealized gains (losses)	-				
<b>Total increase (decrease) from operations (b)</b>	-				
<b>Distributions:</b>					
From income (excluding dividends)	-				
From dividends	-				
From capital gains	-				
Return of capital	-				
<b>Total annual distributions (b), (c)</b>	-				
<b>Net assets – end of year</b>	<b>\$10.00</b>				
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$5				
Number of units outstanding (a)	500				
Management expense ratio (d)	0.00%				
Management expense ratio before absorptions (e)	0.00%				
Trading expense ratio (f)	0.15%				
Portfolio turnover rate (g)	194.29%				
Net asset value per unit (a)	\$10.00				

## FINANCIAL HIGHLIGHTS (CONTINUED)

<b>CLASS N</b>					
<b>Fund's Net Assets Per Unit (a)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net assets – beginning of year	\$10.00				
<b>Increase (decrease) from operations:</b>					
Total revenue	-				
Total expenses	-				
Realized gains (losses)	-				
Unrealized gains (losses)	-				
<b>Total increase (decrease) from operations (b)</b>	<b>-</b>				
<b>Distributions:</b>					
From income (excluding dividends)	-				
From dividends	-				
From capital gains	-				
Return of capital	-				
<b>Total annual distributions (b), (c)</b>	<b>-</b>				
<b>Net assets – end of year</b>	<b>\$10.00</b>				
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$5				
Number of units outstanding (a)	500				
Management expense ratio (d)	0.00%				
Management expense ratio before absorptions (e)	0.00%				
Trading expense ratio (f)	0.15%				
Portfolio turnover rate (g)	194.29%				
Net asset value per unit (a)	\$10.00				

<b>CLASS O</b>					
<b>Fund's Net Assets Per Unit (a)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net assets – beginning of year	\$10.00				
<b>Increase (decrease) from operations:</b>					
Total revenue	-				
Total expenses	-				
Realized gains (losses)	-				
Unrealized gains (losses)	-				
<b>Total increase (decrease) from operations (b)</b>	<b>-</b>				
<b>Distributions:</b>					
From income (excluding dividends)	-				
From dividends	-				
From capital gains	-				
Return of capital	-				
<b>Total annual distributions (b), (c)</b>	<b>-</b>				
<b>Net assets – end of year</b>	<b>\$10.00</b>				
<b>Ratios and Supplemental Data</b>					
Total net asset value (\$000s) (a)	\$5				
Number of units outstanding (a)	500				
Management expense ratio (d)	0.00%				
Management expense ratio before absorptions (e)	0.00%				
Trading expense ratio (f)	0.15%				
Portfolio turnover rate (g)	194.29%				
Net asset value per unit (a)	\$10.00				

**FINANCIAL HIGHLIGHTS (CONTINUED)****Footnotes:**

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- (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 A1, Class E, Class F1, Class I, Class O and Class N commenced operations on December 31, 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 past performance for the Fund is not available because it has been in operation for less than one year. The performance of the fund was reset as at December 15, 2019, the date of the merger.

**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
Pender Corporate Bond Fund, Class 'O'	26.0
Petroshale Inc.	8.8
Diversified Royalty Corp.	6.1
Guardian Capital Group Ltd., Class 'A'	5.1
Brookfield Property Partners L.P.	4.4
Dream Industrial REIT	3.2
Brookfield Asset Management Inc., Class 'A'	2.9
Brookfield Business Partners L.P.	2.9
CCL Industries Inc., Class 'B'	2.9
Cominar REIT	2.8
A&W Revenue Royalties Income Fund	2.5
Enbridge Inc.	2.4
Lilis Energy Inc.	2.2
Return Energy Inc.	1.9
Pender Small Cap Opportunities Fund, Class 'O'	1.8
Baidu, Inc., ADR	1.5
Community Vehicle Financing & Leasing Inc., Series '1'	1.5
Vision Critical Communications Inc., Class 'B2-1'	1.3
Intermap Technologies Corp., 0.00%, 2020/09/01	1.2
ARC Resources Ltd.	1.0
Exchange Income Corp.	1.0
Fiera Capital Corporation	1.0
KKR & Co. Inc.	1.0
Agawa Investments Ltd., 10.00%, 2025/08/07	0.9
Core Gold Inc.	0.9

## Summary of Composition of the Portfolio

	% of Net Assets
<b>Mutual funds</b>	
Pender Corporate Bond Fund, Class 'O'	26.0
Pender Small Cap Opp. Fund, Class 'O'	1.8
<b>Total mutual funds</b>	<b>27.8</b>
<b>Equities</b>	
Energy	17.5
Diversified financials	14.3
Real estate	11.0
Consumer discretionary	8.6
Materials	4.1
Communications services	1.9
Consumer staples	1.7
Industrials	1.0
Health care	0.3
<b>Total equities</b>	<b>60.4</b>
Preferred shares	2.8
Corporate bonds	2.3
Warrants	0.0
<b>Total investments</b>	<b>93.3</b>
Cash	8.0
Other assets less liabilities	(1.3)
<b>Total net assets</b>	<b>100.0</b>

## 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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