

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Pender Strategic Growth and 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 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 objective of the Pender Strategic Growth and 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. The Fund 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 Simplified Prospectus dated June 26, 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

The net assets of the Fund as at December 31, 2019 were \$12,603,589 versus \$14,442,861 as at December 31, 2018. Of this \$1,839,272 decrease, \$2,291,931 is attributable to investment performance, and \$4,131,203 is attributable to net unitholder redemptions of the Fund.

For the year ended December 31, 2019, Class A units of the Fund generated a total return of 17.3%. 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 S&P/TSX Composite Index (“S&P/TSX”), returned 22.8% 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 Fund’s blended benchmark, 50% FTSE/TMX Canada Bond Universe, 35% S&P/TSX and 15% S&P 500 Index in Canadian dollars (“S&P 500”), returned 15.1% during the year. We include information about this blended benchmark, which more closely reflects the asset classes in which the Fund invests, to provide a more useful comparison for the performance 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. Please read the caution regarding forward-looking statements located on the last page of this document.

The Fund’s outperformance as compared to its blended benchmark was mainly due to the contribution of the Canadian equity asset class, particularly the Financials and Industrials sectors. The Fund’s fixed income asset, the Pender Corporate Bond Fund, went up to approximately 41% of its portfolio at the end of the year, compared to 50% fixed income in the blended benchmark. The Pender Corporate Bond Fund, returned 4.7% (for Class A units), underperforming the FTSE/TMX Canada Bond Universe Index which returned 6.9%.

Equity performance

Key positive individual contributors to the Fund’s equity performance for the year included Real Matters Inc., Brookfield Asset Management Inc., and Trisura Group Ltd. Conversely, Just Energy Group Inc., Baidu Inc., and Newell Brands Inc. had the largest adverse impact.

Results of Operations (continued)

Equity performance (continued)

Portfolio transactions during the year were made based on our stock selection process. In general, we increased weightings of individual stocks where we determined the margin of safety had increased and decreased their weightings as their traded market values moved closer to our estimates of their intrinsic values. We are constantly looking for new investment ideas and examples of new investments include Diversified Royalty Corp., MAV Beauty Brands Inc., and the preferred shares of Husky Energy Inc. We may liquidate our positions for various reasons, such as when share prices have reached our assessment of fair value, when an acquisition has occurred, or where we have changed our investment thesis. During the year, we sold Alphabet Inc., Alimentation Couche-Tard Inc., and Winpak Ltd..

Fixed income performance

Pender Corporate Bond 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 Pender Corporate Bond 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. Pender Corporate Bond Fund's position in Just Energy Group Inc.'s convertible notes and preferred shares also detracted from fund 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. Likewise, 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 the Pender Corporate Bond Fund exited its 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. 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. Pender Corporate Bond Fund's position in Infinera convertible notes also provided a source of strength. 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 exposure to several municipal closed-end funds also served as sources of strength over the period.

During the year, the Pender Corporate Bond 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 Pender Corporate Bond Fund increased its exposure to investment grade rate reset preferreds of BCE Inc. and Husky Energy Inc..

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 thanks to bullish market sentiment and 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.

Recent Developments (continued)

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. 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 our fixed income assets while protecting capital. The Pender Corporate Bond Fund's 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 5% 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.

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	\$11.09	\$12.89	\$12.77	\$11.10	\$12.01
Increase (decrease) from operations:					
Total revenue	0.38	0.32	0.32	0.37	0.46
Total expenses	(0.30)	(0.30)	(0.31)	(0.28)	(0.29)
Realized gains (losses)	0.39	0.31	0.77	0.11	0.45
Unrealized gains (losses)	1.47	(1.47)	(0.21)	1.49	(0.92)
Total increase (decrease) from operations (b)	1.94	(1.14)	0.57	1.69	(0.30)
Distributions:					
From income (excluding dividends)	(0.02)	-	-	-	(0.09)
From dividends	(0.08)	(0.03)	(0.04)	(0.11)	(0.10)
From capital gains	(0.01)	(0.61)	(0.43)	-	(0.39)
Return of capital	-	-	-	-	-
Total annual distributions (b), (c)	(0.11)	(0.64)	(0.47)	(0.11)	(0.58)
Net assets – end of year	\$12.90	\$11.09	\$12.89	\$12.77	\$11.10
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$7,665	\$8,503	\$9,828	\$8,574	\$8,791
Number of units outstanding (a)	594,180	766,481	762,169	671,653	792,073
Management expense ratio (d)	2.25%	2.25%	2.25%	2.30%	2.35%
Management expense ratio before absorptions (e)	2.25%	2.25%	2.25%	2.30%	2.35%
Trading expense ratio (f)	0.10%	0.05%	0.04%	0.03%	0.01%
Portfolio turnover rate (g)	48.55%	27.29%	32.55%	27.57%	33.48%
Net asset value per unit (a)	\$12.90	\$11.09	\$12.89	\$12.77	\$11.10
CLASS D					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$9.44	\$11.14	\$10.61	\$9.24	\$10.00
Increase (decrease) from operations:					
Total revenue	0.32	0.29	0.26	0.26	0.20
Total expenses	(0.17)	(0.16)	(0.16)	(0.13)	(0.08)
Realized gains (losses)	0.43	0.09	0.51	0.22	(0.29)
Unrealized gains (losses)	1.08	(1.59)	(0.19)	0.89	(0.33)
Total increase (decrease) from operations (b)	1.66	(1.37)	0.42	1.24	(0.50)
Distributions:					
From income (excluding dividends)	(0.01)	-	-	-	(0.02)
From dividends	(0.14)	(0.12)	(0.05)	(0.08)	(0.03)
From capital gains	-	(0.65)	-	-	(0.32)
Return of capital	-	-	-	-	-
Total annual distributions (b), (c)	(0.15)	(0.77)	(0.05)	(0.08)	(0.37)
Net assets – end of year	\$11.00	\$9.44	\$11.14	\$10.61	\$9.24
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$22	\$36	\$20	\$13	\$5
Number of units outstanding (a)	1,974	3,771	1,776	1,193	520
Management expense ratio (d)	1.50%	1.50%	1.50%	1.55%	1.60%
Management expense ratio before absorptions (e)	1.50%	1.50%	1.50%	1.55%	1.60%
Trading expense ratio (f)	0.10%	0.05%	0.04%	0.03%	0.01%
Portfolio turnover rate (g)	48.55%	27.29%	32.55%	27.57%	33.48%
Net asset value per unit (a)	\$11.00	\$9.44	\$11.14	\$10.61	\$9.24

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	0.14				
Total expenses	0.05				
Realized gains (losses)	(0.15)				
Unrealized gains (losses)	1.11				
Total increase (decrease) from operations (b)	1.15				
Distributions:					
From income (excluding dividends)	(0.05)				
From dividends	(0.12)				
From capital gains	(0.02)				
Return of capital	-				
Total annual distributions (b), (c)	(0.19)				
Net assets – end of year	\$10.74				
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$76				
Number of units outstanding (a)	7,067				
Management expense ratio (d)	0.50%				
Management expense ratio before absorptions (e)	0.50%				
Trading expense ratio (f)	0.10%				
Portfolio turnover rate (g)	48.55%				
Net asset value per unit (a)	\$10.74				

CLASS F					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$11.26	\$13.03	\$12.79	\$11.12	\$12.03
Increase (decrease) from operations:					
Total revenue	0.38	0.31	0.33	0.37	0.47
Total expenses	(0.18)	(0.18)	(0.19)	(0.16)	(0.17)
Realized gains (losses)	0.44	0.49	0.82	0.11	0.36
Unrealized gains (losses)	1.52	(1.41)	(0.49)	1.36	(1.01)
Total increase (decrease) from operations (b)	2.16	(0.79)	0.47	1.68	(0.35)
Distributions:					
From income (excluding dividends)	(0.03)	-	-	-	(0.14)
From dividends	(0.20)	(0.12)	(0.11)	(0.22)	(0.15)
From capital gains	-	(0.60)	(0.39)	-	(0.39)
Return of capital	-	-	-	-	-
Total annual distributions (b), (c)	(0.23)	(0.72)	(0.50)	(0.22)	(0.68)
Net assets – end of year	\$13.09	\$11.26	\$13.03	\$12.79	\$11.12
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$3,287	\$4,376	\$11,419	\$3,190	\$3,077
Number of units outstanding (a)	251,027	388,736	876,675	249,399	276,830
Management expense ratio (d)	1.25%	1.25%	1.25%	1.30%	1.35%
Management expense ratio before absorptions (e)	1.25%	1.25%	1.25%	1.30%	1.35%
Trading expense ratio (f)	0.10%	0.05%	0.04%	0.03%	0.01%
Portfolio turnover rate (g)	48.55%	27.29%	32.55%	27.57%	33.48%
Net asset value per unit (a)	\$13.09	\$11.26	\$13.03	\$12.79	\$11.12

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS H					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$8.22	\$9.67	\$10.00		
Increase (decrease) from operations:					
Total revenue	0.29	0.27	0.12		
Total expenses	(0.19)	(0.20)	(0.11)		
Realized gains (losses)	0.21	0.05	0.42		
Unrealized gains (losses)	0.95	(2.67)	(0.30)		
Total increase (decrease) from operations (b)	1.26	(2.55)	0.13		
Distributions:					
From income (excluding dividends)	(0.01)	-	-		
From dividends	(0.10)	(0.17)	(0.04)		
From capital gains	(0.01)	(0.45)	(0.43)		
Return of capital	-	-	-		
Total annual distributions (b), (c)	(0.12)	(0.62)	(0.47)		
Net assets – end of year	\$9.54	\$8.22	\$9.67		
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$582	\$206	\$5		
Number of units outstanding (a)	61,011	25,026	524		
Management expense ratio (d)	1.95%	1.95%	1.95%		
Management expense ratio before absorptions (e)	1.95%	1.95%	1.95%		
Trading expense ratio (f)	0.10%	0.05%	0.04%		
Portfolio turnover rate (g)	48.55%	27.29%	32.55%		
Net asset value per unit (a)	\$9.54	\$8.22	\$9.67		

CLASS I					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$8.30	\$9.68	\$10.00		
Increase (decrease) from operations:					
Total revenue	0.28	0.26	0.12		
Total expenses	(0.11)	(0.11)	(0.06)		
Realized gains (losses)	0.34	(0.02)	0.42		
Unrealized gains (losses)	1.13	(1.35)	(0.30)		
Total increase (decrease) from operations (b)	1.64	(1.22)	0.18		
Distributions:					
From income (excluding dividends)	(0.02)	-	-		
From dividends	(0.15)	(0.16)	(0.07)		
From capital gains	-	(0.46)	(0.43)		
Return of capital	-	-	-		
Total annual distributions (b), (c)	(0.17)	(0.62)	(0.50)		
Net assets – end of year	\$9.67	\$8.30	\$9.68		
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$964	\$1,317	\$5		
Number of units outstanding (a)	99,659	158,686	526		
Management expense ratio (d)	1.10%	1.10%	1.10%		
Management expense ratio before absorptions (e)	1.10%	1.10%	1.10%		
Trading expense ratio (f)	0.10%	0.05%	0.04%		
Portfolio turnover rate (g)	48.55%	27.29%	32.55%		
Net asset value per unit (a)	\$9.67	\$8.30	\$9.68		

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS O					
Fund's Net Assets Per Unit (a)	2019	2018	2017	2016	2015
Net assets – beginning of year	\$10.00	\$11.62	\$11.50	\$10.00	\$10.00
Increase (decrease) from operations:					
Total revenue	0.35	0.29	0.29	0.34	-
Total expenses	(0.02)	(0.01)	(0.01)	(0.01)	-
Realized gains (losses)	0.32	0.28	0.70	0.14	-
Unrealized gains (losses)	1.32	(1.34)	(0.17)	1.39	-
Total increase (decrease) from operations (b)	1.97	(0.78)	0.81	1.86	-
Distributions:					
From income (excluding dividends)	(0.04)	-	-	-	-
From dividends	(0.30)	(0.28)	(0.17)	(0.34)	-
From capital gains	(0.02)	(0.55)	(0.51)	-	-
Return of capital	-	-	-	-	-
Total annual distributions (b), (c)	(0.36)	(0.83)	(0.68)	(0.34)	-
Net assets – end of year	11.61	\$10.00	\$11.62	\$11.50	\$10.00
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$7	\$6	\$6	\$6	\$5
Number of units outstanding (a)	610	591	546	515	500
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)	0.10%	0.05%	0.04%	0.03%	0.01%
Portfolio turnover rate (g)	48.55%	27.29%	32.55%	27.57%	33.48%
Net asset value per unit (a)	\$11.61	\$10.00	\$11.62	\$11.50	\$10.00

Footnotes:

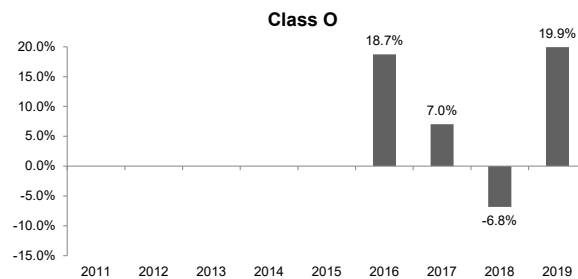
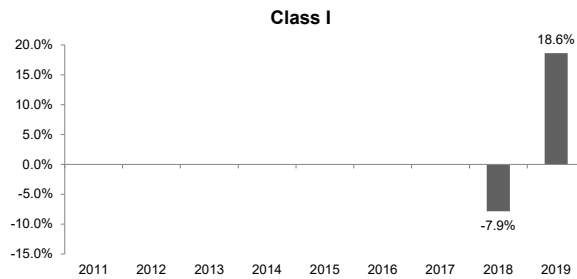
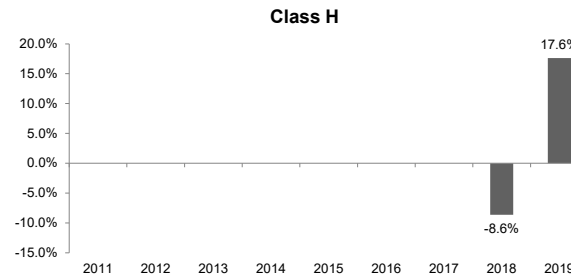
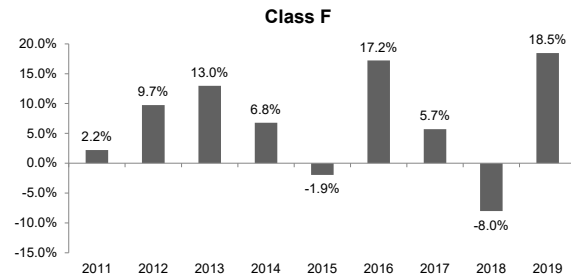
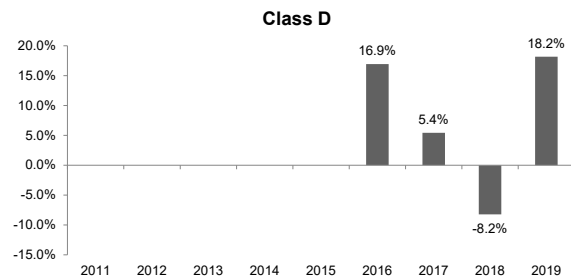
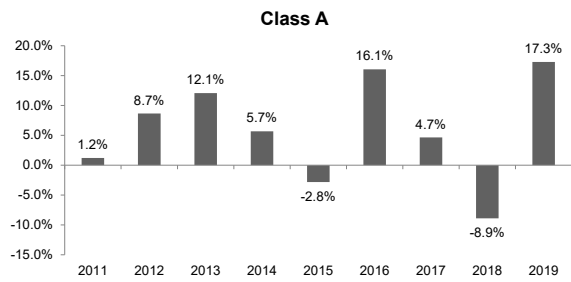
- (a) This information is derived from the Fund's audited annual financial statements as at December 31 for the year stated, prepared under International Financial Reporting Standards. Class E commenced operations on August 30, 2019.
- (b) Net assets per unit and distributions per unit are based on the 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 S&P/TSX Composite Index. The S&P/TSX is the headline index for the Canadian equity market. With approximately 95% coverage of the Canadian equities market, it is the primary gauge for Canadian-based, Toronto Stock Exchange listed companies.

The Fund's blended benchmark is 50% FTSE TMX Canada Bond Universe, 35% S&P/TSX and 15% S&P 500 Index in Canadian dollars. The FTSE TMX Canada Bond Universe is the broadest and most widely used measure of performance of marketable government and corporate bonds outstanding in the Canadian market. The S&P 500 includes 500 leading companies listed on the NASDAQ and NYSE and captures approximately 80% coverage of available market capitalization. We have included this comparison, which more closely reflects the asset classes in which the Funds invests, to provide a more useful comparison to the performance of the Fund.

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	17.3%	3.8%	4.7%	5.7%	11/24/2010
S&P/TSX	22.8%	6.9%	6.3%	6.2%	
Blended benchmark	15.1%	6.4%	6.0%	6.7%	
Class D	18.2%	4.6%	-	5.7%	06/30/2015
S&P/TSX	22.8%	6.9%	6.3%	6.8%	
Blended benchmark	15.1%	6.4%	6.0%	6.0%	
Class F	18.5%	4.8%	5.8%	6.7%	11/24/2010
S&P/TSX	22.8%	6.9%	6.3%	6.2%	
Blended benchmark	15.1%	6.4%	6.0%	6.7%	
Class H	17.6%	-	-	3.5%	06/30/2017
S&P/TSX	22.8%	6.9%	6.3%	8.0%	
Blended benchmark	15.1%	6.4%	6.0%	6.7%	
Class I	18.6%	-	-	4.3%	06/30/2017
S&P/TSX	22.8%	6.9%	6.3%	8.0%	
Blended benchmark	15.1%	6.4%	6.0%	6.7%	
Class O	19.9%	6.2%	-	9.2%	12/31/2015
S&P/TSX	22.8%	6.9%	6.3%	10.3%	
Blended benchmark	15.1%	6.4%	6.0%	7.1%	

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. Where the Fund has less than 25 holdings, the table will show the Fund's entire investment portfolio. The investment portfolio may change due to ongoing portfolio transactions. An update of the Fund's summary of investment portfolio as at the end of each calendar quarter is available from the Manager. Please see the front page of this document for information about how this can be obtained.

Summary of Top 25 Holdings

	% of Net Assets
Pender Corporate Bond Fund, Class 'O'	41.1
Pender Small Cap Opportunities Fund, Class 'O'	5.3
Brookfield Asset Management Inc., Class 'A'	4.0
Diversified Royalty Corp.	3.5
KKR & Co. Inc.	3.5
Trisura Group Ltd.	3.4
CCL Industries Inc., Class 'B'	3.2
MAV Beauty Brands Inc.	2.7
Onex Corporation	2.7
Starwood Property Trust, Inc.	2.5
Brookfield Property Partners L.P.	2.5
Starbucks Corporation	2.4
Husky Energy Inc., Preferred, Series '3', 4.50%	2.3
ARC Resources Ltd.	2.3
Wynn Resorts, Limited	2.3
Dream Unlimited Corp., Class 'A'	2.1
Fiera Capital Corporation	1.8
Chesswood Group Limited	1.8
Baidu, Inc., ADR	1.7
Mediagrif Interactive Technologies Inc.	1.4
Brookfield Office Properties Inc.	1.3
Colony Capital, Inc.	1.3
Hanesbrands Inc.	1.2
Exchange Income Corporation	1.1
Corus Entertainment Inc., Class 'B'	1.0

Summary of Composition of the Portfolio

	% of Net Assets
Mutual funds	
Pender Corporate Bond Fund, Class 'O'	41.1
Pender Small Cap Opp. Fund, Class 'O'	5.3
Total mutual funds	46.4
Equities	
Diversified financials	17.6
Consumer discretionary	9.4
Real estate	5.9
Energy	4.6
Communications services	4.1
Insurance	3.4
Materials	3.2
Consumer staples	2.7
Industrials	1.1
Total equities	52.0
Total investments	98.4
Cash	1.6
Other assets less liabilities	(0.0)
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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