

MANAGEMENT'S DISCUSSION & ANALYSIS

PENDER GROWTH FUND INC.

Three months ended March 31, 2020

PENDER

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated May 22, 2020 presents a review of the financial results for Pender Growth Fund Inc. ("Pender" or the "Company") for the three months ended March 31, 2020 and assesses factors that may affect future results. The financial condition and results of operations are analyzed and significant factors that affected Pender's statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows are discussed.

The MD&A is supplementary information and should be read in conjunction with the unaudited condensed interim financial statements of Pender and the notes thereto for the three months ended March 31, 2020 (the "Condensed Interim Financial Statements") and the audited financial statements of Pender and the notes thereto for the year ended December 31, 2019 (the "Annual Audited Financial Statements"). All amounts shown in this MD&A are presented in Canadian dollars unless otherwise specified.

The MD&A has been prepared by PenderFund Capital Management Ltd. (the "Manager") and is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, which is made up of three directors, a majority of whom are independent directors. The Audit Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

Additional information about Pender is available on the SEDAR website at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains forward-looking statements about the Company, 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 Company 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 Company and economic factors, among other things. Forward looking statements in this MD&A include, without limitation: statements with respect to the future performance of the Company's Portfolio Companies; future transactions involving its Portfolio Companies (including acquisitions of such Portfolio Companies); the Company's investment approach, objectives and strategies, including its focus on specific sectors; the structuring of its investments and its expectations regarding the performance of certain sectors.

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 differences, including but not limited to: the ability of the Company to source additional investments; risks related to the emerging technology sector; 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 MD&A.

Reporting Regime

Pender is an investment entity created in 1994 with the objective of providing its investors with long-term capital appreciation. The Company was established as a “Venture Capital Corporation” (a “VCC”) under the provisions of the Small Business Ventures Capital Act (the “SBVCA”) which offered investors in the Company certain provincial tax credits at the time the Company’s shares were issued from treasury. The SBVCA also restricted the Company’s investment objectives and strategies to investments in “Eligible Small Businesses” as defined in the SBVCA.

The shareholders of the Company approved the cancellation of registration under the SBVCA on July 12, 2016. Effective October 27, 2016, Pender voluntarily cancelled its registration under the SBVCA, permitting it to employ various investing strategies that were previously not available to it, including, without limitation, investments in the public equity market and investments in larger and more established businesses based outside of British Columbia. Because the Company was considered a non-redeemable investment fund subject to the Canadian securities regulatory regime for investment funds (the “Investment Funds Regime”) and to National Instrument 81-102 — Investment Funds (“NI 81-102”), it provided continuous disclosure pursuant to such Investment Funds Regime, including but not limited to, the provisions under National Instrument 81-106 — Investment Funds Continuous Disclosure.

The provisions of NI 81-102 restricted the Company from purchasing a security of an issuer (a) for purposes of exercising control over, or management of, the issuer (the “Control Restrictions”) or (b) if immediately after the purchase the Company would hold more than 10% of the votes or outstanding equity of the issuer. While the Company was registered as a VCC it was able to rely on an exemption from the Control Restrictions, however after it cancelled its registration as a VCC it became subject to the Control Restrictions, which prohibited Pender from making investments which it determined would best fit its investment objectives and strategies.

As a result, the Manager concluded it was in the Company’s best interest to transition from the Investment Funds Regime to the Canadian securities regulatory regime for reporting issuers that are not investment funds (the “Corporate Issuer Regime”), including, but not limited to, compliance with National Instrument 51-102 — Continuous Disclosure Obligations (“NI 51-102”).

On May 23, 2018, at the annual general meeting of shareholders, the shareholders authorized the Company to transition to the Corporate Issuer Regime. As a result of the reclassification effective December 31, 2018, the Company is now subject to NI 51-102, under which it is required to file annual and interim MD&A reports. Under International Financial Reporting Standards (“IFRS”), the Company continues to be treated as an investment entity for accounting purposes.

Non-IFRS Measures

The Company prepares and releases Condensed Interim Financial Statements and Annual Audited Financial Statements in accordance with IFRS. In this MD&A, we complement IFRS disclosures with a number of the key indicators that we use to evaluate the performance and condition of our business. These supplementary key performance indicators include Net Assets, Net Assets per Share, Management Expense Ratio and Trading Expense Ratio. They are not recognized under IFRS nor do they have a standard meaning prescribed by IFRS. We present them to enhance the reader's ability to evaluate the Company. They may not be directly comparable to similar measures used by other companies and readers are cautioned not to view the non-IFRS measures as alternatives to IFRS measures.

Net Assets

The Company uses two financial measures that are individually recognized under IFRS, assets and liabilities, to calculate Net Assets, which is a non-IFRS measure. The calculation of Net Assets as at March 31, 2020 and December 31, 2019 is presented in the following table:

Net Assets	March 31, 2020	December 31, 2019
Assets	\$ 33,475,002	\$ 34,040,763
LESS: Liabilities	884,408	207,746
EQUALS Net Assets	\$ 32,590,594	\$ 33,833,017

Net Assets per Share

The Company uses three financial measures that are individually recognized under IFRS, assets, liabilities and number of shares outstanding, to calculate Net Assets per Share, which is a non-IFRS measure. The calculation of Net Assets per Share, as at March 31, 2020 and December 31, 2019 is presented in the following table:

Net Assets per Share	March 31, 2020	December 31, 2019
Assets	\$ 33,475,002	\$ 34,040,763
LESS: Liabilities	884,408	207,746
EQUALS Net Assets	\$ 32,590,594	\$ 33,833,017
DIVIDED BY Number of Shares		
Outstanding	7,990,229	8,083,329
EQUALS Net Assets per Share	\$ 4.08	\$ 4.19

Management Expense Ratio

The Company uses Management Expense Ratio ("MER") to represent the total amount of management fees and operating expenses, including sales taxes and interest but excluding corporate taxes, commission and other portfolio transaction costs (together, the "MER Costs") that is borne by each outstanding share. The MER is an annualized percentage calculated by dividing total MER Costs by the average Net Assets.

Trading Expense Ratio

The Company uses Trading Expense Ratio ("TER") to represent the total amount of commissions and other portfolio transaction costs (the "TER Costs") that is borne by each outstanding share. The TER is an annualized percentage calculated by dividing total TER Costs by the average Net Assets.

It should also be noted that total shareholders' equity which is calculated using IFRS for financial reporting purposes may be different from the monthly reported net asset value per share ("Reported NAV").

Business Strategy

Pender is an investment company with the objective of achieving long-term capital appreciation for its investors. Pender invests opportunistically in the securities of both public and private companies (each a "Portfolio Company"). In seeking long-term capital appreciation, the Manager thoroughly evaluates the business prospects of each Portfolio Company over a long-term investment horizon. Regardless of whether a Portfolio Company is publicly listed or private, a long-term focus will remain a primary factor in Pender's investment strategy. Pender may also invest in special situations, using available cash to take advantage of attractive internal rate of return situations, for example. Pender works to generate returns to investors by understanding the current and long-term value of the companies in which it invests. Pender's strategy is to buy securities that it believes are mispriced and that have the potential to compound capital either through the convergence from current market price to intrinsic value or through the growth of intrinsic value over time, or through a combination of both.

Pender's mandate provides flexibility so that it may invest in securities that the Manager deems to have the highest risk adjusted returns at the time of investment. It is important to note that the Manager defines risk as a permanent loss of capital, which differs from volatility risk. This flexible mandate allows Pender to take advantage of market cycles and different security types for the potential benefit of its shareholders. Market cycles can provide opportunity as different industries, company stages or security types may become out of favour and attractively priced. As such, Pender may invest in both newly established and later-stage businesses across a wide array of industries and security types dependent on opportunity. The majority of Pender's investments will be in common equity or preferred equity securities, which may be supplemented by smaller allocations to convertible debt or corporate debt or other securities.

As of March 31, 2020, Pender has investments in a total of twenty four (24) Portfolio Companies: Eight (8) private companies and sixteen (16) publicly listed companies.

Risk Factors

An investment in Pender is suitable for investors that have a high tolerance for risk and a long-term investment horizon.

Historically, Pender invested primarily in emerging technology companies. The prospects for success of emerging technology companies depend critically on a number of factors that, given their limited operating histories, are difficult to evaluate. Investments in emerging technology companies are inherently risky, and in the case of failed businesses, may result in the total loss of capital invested by Pender in a Portfolio Company. The technology companies in which Pender invests will typically require additional capital, which Pender may not be able to provide, or which may not be available from other sources.

Beginning in late 2019, the outbreak of a novel strain of coronavirus ("COVID-19") in China spread rapidly to many parts of the world. In March 2020, the World Health Organization declared the COVID-19 a pandemic. The pandemic resulted in measures to contain the virus including quarantines, travel restrictions, and the temporary closure of stores and facilities in most of the world. The negative economic impact of these measures together with the uncertainty of the situation led to significant volatility in equity markets. Further, the situation has and will continue to impact many businesses, including those of investee issuers. While governmental initiatives to reduce the economic impact and more recent measures to reopen economies in certain jurisdictions may have a mitigating impact on volatility and business outcomes, investment results will depend, to a large extent, on future developments and new information that may emerge regarding COVID-19, factors which are beyond control. There is a risk that COVID-19 may lead

to a drop in exits and an extension in holding periods for private equity investments, as sellers wait for uncertainty to be resolved and for markets to recover. This may increase the risk inherent in the fact that, by their nature, Pender's private Portfolio Companies will generally lack liquidity and involve a longer than usual investment commitment time horizon. Losses are typically realized before gains, and Pender may be required to dispose of Portfolio Companies before any returns are received therefrom. Approximately half of Pender's investment portfolio is comprised of illiquid securities of private companies. It may be relatively difficult for Pender to dispose of its investment in a private company rapidly at favourable prices due to with adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts.

Pender faces competition from a large number of other capital providers and there can be no assurance that suitable investments will be found. Despite the increased number of sources of private capital, financing for development stage technology companies remains limited and subject to pricing and terms that are based on the performance of the investee company, among other factors, and what is available may be on terms unfavourable to existing shareholders of these companies.

Other risks include the relatively large proportion of development stage technology company investments in the portfolio, industry concentration and the relatively limited number of investments in the portfolio.

The Company's Class C Shares are not redeemable. The Class C Shares trade on the TSX Venture Exchange (the "TSXV") under the ticker "PTF". An active trading market for the Class C Shares may not be available, which could significantly impact the liquidity of those shares. The Net Assets per Share of the Class C Shares fluctuates with the Net Assets per Share of the Company, which could adversely affect the ability of a holder of the Class C Shares to dispose of them. Even if an active trading market for Class C Shares is available, the market price of such shares may not enable shareholders to dispose of their shares at a reasonable price relative to the Net Assets per Share of the shares.

The risks associated with an investment in Pender are more fully described in its Annual Information Form dated April 29, 2020 under the heading "Risk Factors". Reference should also be made to the section "Caution Regarding Forward-Looking Statements" at the beginning of this document.

Recent Developments

Q1 of 2020 saw January's strength dissolve mid-February when the impact of COVID-19 and the Saudi oil shock caused declines not seen since 2008. Market volatility in March was calmed by the Fed's injection of capital into public markets, but the small cap sector has not been a beneficiary of the Fed's investment initiatives and overall, significant uncertainty remains.

In the first quarter of 2020, Pender continued to aggressively deploy capital in both public and private markets where the significant uncertainty and severe market conditions created what the Manager believed to be strong buying opportunities.

We continue to work with our core positions, aiming to help these companies build their intrinsic value over the long-term. During Q1 this involved supporting on our private Portfolio Companies through the challenges and opportunities brought on by the COVID-19 pandemic, supporting their management in making key decisions and adjustments to their business, including putting in place COVID-19 response plans and reviewing and adjusting operations and product development plans. We remain patient investors.

On February 10, 2020, the Company launched a Normal Course Issuer Bid (the "NCIB") in accordance with the policies of the TSXV. Under TSXV policies, the Company is entitled to purchase up to the maximum of 743,087 Shares, representing 10% of the Company's public float, over the period that the NCIB is in place. The NCIB will continue until February 10, 2021 unless terminated earlier in accordance with its terms. During the three months ended March 31, 2020, the Company bought back 93,100 shares at an average price of \$3.09.

During the period Pender added two private Portfolio Companies, Checkfront Inc. and Clarius Mobile Health Corp. as well as seven publicly listed Portfolio Companies: AgJunction Inc., Diversified Royalty Corp., Ebix, Inc., GreenSpace Brands Inc., MAV Beauty Brands Inc., Photon Control Inc. and TIMIA Capital Corp. In January 2020, Pender sold BasicGov Systems Inc., one of the private Portfolio Companies.

Outlook

The year has started with market volatility not seen since the financial crisis of 2008. The impact of COVID-19 and the breakdown of OPEC negotiations is negatively impacting economies around the world, including those in which our private Portfolio Companies do business. Certain industries, like tourism and airlines, are expected to be hard hit over the short-term and it may take some time for them to rebound. The COVID-19 pandemic is having a significant impact on funding and exits of private technology companies globally. At the end of the first quarter of 2020 Canadian venture capital funding is below the comparative period in 2019 at \$834 million (source: Preliminary CVCA VC Canadian Market Overview Q1 2020). It is expected that activity levels in both funding and exits will continue to trend lower for a period of time.

We have evaluated the potential impact on each of our private Portfolio Companies and, while at present it is too soon to tell the magnitude or specific impact on individual Portfolio Companies, more information will become available as they respond to the challenges and opportunities in the current market. We remain patient investors and continue to work with our private Portfolio Companies, aiming to help these companies build their intrinsic value over the long-term. It is important to note that some of the best businesses are created during challenging times such as these and we are actively screening for new prospects and remain steadfast investors in this asset class. Any potential impact on investment results will depend on future developments and new information that may emerge regarding the duration and severity of COVID-19 and the actions taken by government authorities and other entities to contain the COVID-19 virus or to treat its impact, which are beyond our control. Despite market factors, we continue to invest with the goal of leveraging Pender's advantages, its small asset base and investment flexibility, to the benefit of all shareholders.

PORTFOLIO OF INVESTMENTS

We are long-term investors and we remain committed to our investment theses for our Portfolio Companies. During the three months ended March 31, 2020, we added two new private and seven new public companies to the portfolio.

The new private companies added to the portfolio in the period are Checkfront Inc. and Clarius Mobile Health Corp. The public companies added to the portfolio are AgJunction Inc., Diversified Royalty Corp., Ebix, Inc., GreenSpace Brands Inc., MAV Beauty Brands Inc., Photon Control Inc. and TIMIA Capital Corp..

During the period, we divested of our position in BasicGov Systems, Inc.

As at March 31, 2020, the weight of our holdings as a percentage of Net Asset Value had increased by 11.5% from their weight as at December 31, 2019, as a result of the deployment of capital into investments in two private and seven public Portfolio Companies new to the portfolio and the purchase of additional shares into existing positions.

Pender's Net Assets are comprised of private companies (46.0%), with publicly listed companies, cash and other assets making up the remainder (54.0%). The significant trends and events for Pender's Portfolio Companies in the three months ended March 31, 2020 are described in this section.

Private Unlisted Companies

We continue to work with our private Portfolio Companies, aiming to help these companies build their intrinsic value over the long-term.

During the period BasicGov was acquired by Toronto-based Explora Partners. We invested in BasicGov in 2011 and provided it with additional capital in the following years. At the time of our initial investment we believed BasicGov was well positioned to benefit from the digitization of legacy government systems. The exit was a positive outcome for BasicGov's investors and we wish them much success as they continue to advance the business.

One45 Software

As at March 31, 2020, Pender's largest investment is One45 Software Inc. ("One45"), a software-as-a-service ("SaaS") provider of data management software to medical and other healthcare professional schools.

During the three months ended March 31, 2020, One45 continued to see early traction for its new product, One45 Analytics. The vision for this product is to allow healthcare education schools with limited IT budgets and data capabilities to have a full-featured data warehouse with advanced analytics. One45 funded the development of One45 Analytics with its own cash flow. Progress with the new product has been steady and the company is now seeing revenue from several customers who have adopted the product. Pender's investment in One45 represents over 25% of Net Assets.

Tantalus Systems

Tantalus Systems Corp. ("Tantalus") provides Smart Grid communications technology that enables electric, gas and water utilities to optimize the use of resources, and that delivers the data that utilities and customers need to manage energy intelligently and cost-effectively.

In February 2020, Tantalus announced that it had been selected by Indiana Municipal Power Agency to provide its smart-grid offering to its 61 member utilities throughout Indiana and Ohio. This new customer joins a growing community of over 170 public power and electric cooperative utilities deploying Tantalus' technology across the United States, Canada and the Caribbean Basin. Their decision is part of a broader trend of public power and electric cooperative utilities who have turned to Tantalus for flexible, expandable systems.

CopperLeaf Technologies

Copperleaf Technologies Inc. (“Copperleaf”) provides decision analytics to companies managing critical infrastructure. Copperleaf’s enterprise software solutions leverage operational and financial data to help its clients make investment decisions that deliver the highest business value. Copperleaf is based in Vancouver and its solutions are distributed and supported by regional staff and partners worldwide.

In March 2020, Copperleaf announced that its C55 Decision Analytics solution is now live at National Grid Electricity Transmission. This is an example of industry-leading asset management decision support and we believe there is a significant growth opportunity for Copperleaf as it continues to build out its business.

Navarik

Navarik Corp. (“Navarik”) is a provider of on-demand software services that automate shipping logistics and physical trade operations in global crude oil, refined products and bulk commodities.

In March 2020, Navarik announced the appointment of its new CEO, its former CTO who has been with the company and worked with its board since 2017, including work on the development of the company’s new Navarik Bridge product.

Newtopia

Newtopia Inc. (“Newtopia”) is a provider of a personalized health and wellness platform designed to bring sustainable health and well-being to the workplace. Its platform offers customized care plans for disease prevention by combining genetic testing, personalized coaching and smart technology, enabling companies to reduce their healthcare costs.

Newtopia completed its direct listing of shares on the TSXV and its shares commenced trading on Monday, May 4, 2020 under the symbol “NEWU”.

Clarius

Clarius Mobile Health Corp. (“Clarius”) is developing and commercializing ultra-portable ultrasound scanners, mobile applications and cloud solutions. The scanners connect wirelessly to off-the-shelf smartphones and tablets, based on its proprietary “ultrasound system-on-chip” technology. This novel technology efficiently utilizes technical resources on the chip, thus allowing high image quality to be maintained in a small form factor.

Clarius has a strong position in the ultra-portable ultrasound market with over 20 patents and thousands of devices sold to date.

Checkfront

Checkfront Inc. (“Checkfront”) develops cloud-based booking management application and e-commerce platform to tour providers, accommodation managers, and rental businesses in Canada and internationally. The Checkfront platform is intended to help businesses manage their inventories, centralize reservations and process payments.

As of March 2020, the company has 5,000 operators in 128 countries, and operators have processed over \$5.5 Billion in online bookings through the platform.

Publicly Listed Companies

During the three months ended March 31, 2020, we continue to be patient, fundamental investors, and we believe that the significant market volatility caused by COVID-19 presents good potential opportunities for our public company holdings. We are long term investors and we do not believe discussions around quarterly or annual gains or losses add much value. That being said, in the following section, we discuss those investments that were key contributors to or detractors from the performance of our portfolio during the three months ended March 31, 2020. We then discuss new publicly listed companies that we added to the portfolio over the three months ended March 31, 2020.

ContributorsProntoForms Corporation – TSXV:PFM

ProntoForms Corporation (“ProntoForms”) solutions help small and medium businesses and enterprises transform paper forms to mobile forms. Its cloud-based solutions allow businesses and mobile workers to collect, process, and analyze field data in real-time through the use of mobile forms on their mobile devices. ProntoForms has been growing its business organically and steadily year over year with high gross margins. It has also its expanded customer base to include more enterprise customers that have more upsell opportunities. We like the fundamentals of the business and we believe ProntoForms still has a runway ahead of it. We first added the business to the portfolio in September 2017. During the three months ended March 31, 2020, ProntoForms’ share price increased by 33% and Pender’s unrealized gain in the business increased by \$555K.

Diversified Royalty Corp. – TSX:DIV

Diversified Royalty Corporation (“DIV”) owns royalty rights in franchise businesses. Unlike other royalty models from one single franchise chain, DIV owns royalty streams from a diversified pool of businesses including Mr. Lube, Air Miles, Sutton Realty, Oxford Learning, Mr. Mikes, and Nurse Next Door. DIV has an asset light model with virtually no capital expenditures. The royalties they receive are used to pay dividends. Revenue growth comes from acquisitions of other royalty streams as well as same store sales growth from their existing businesses. We added DIV to the portfolio in March 2020 and the position generated an unrealized gain of \$253K to quarter-end.

Quorum Information Technologies Inc. – TSXV:QIS

Quorum Information Technologies Inc. (“Quorum”) offers software solutions to automotive dealerships in both Canada and US. Its core solution is a Dealership Management System (DMS) that automates, integrates and streamlines key processes across departments in a dealership. Through acquisitions, Quorum has added other solutions such as a sales and service Customer Relationship Management system and set of Business Development Center services. We believe there are plenty of cross selling opportunities and growth potential for Quorum in the foreseeable future. We added the business to the portfolio in July 2019. During the three months ended March 31, 2020, Quorum’ share price increased by 5% and Pender’s unrealized gain in the business increased by \$110K.

Detractors

On the negative side, given the huge equity markets sell-off of equity markets caused by COVID-19 in March, the portfolio had eleven public investments that lost value during the three months ended March 31, 2020. GreenSpace Brands, ADF Group and Sangoma Technologies were the key detractors with over

\$300K of loss in value each.

New Publicly Listed Companies

During the three months ended March 31, 2020, we added seven public company holdings into the portfolio. We discussed Diversified Royalty Corp. above. Below we discuss each of the other six new names briefly, in alphabetical order.

AgJunction Inc. (TSX:AJX)

AgJunction Inc. (“AgJunction”) provides guidance and autosteering solutions for precision agriculture applications. AgJunction's products and solutions enable farmers' machines to precisely reach a pre-planned path and then "steer" along the path with minimal additional input from the farmer. AgJunction sells products through two channels: direct to farmers (online) and indirect to farmers by becoming the supplier of choice for machine manufacturers. It holds over 130 fundamental steering and machine control patents. We added AgJunction to the portfolio in March 2020.

EBIX, Inc. (NASDAQ:EBIX)

EBIX, Inc. (“EBIX”) provides software solutions to insurance, finance, healthcare, travel, foreign exchange and e-learning industries. EBIX solutions enable insurance carrier, brokers, and related third parties to transact end-to-end insurance transactions through a single unified exchange platform. EBIX also operates EBIX Cash, primarily in India, connecting consumer/brokers to backend products and services such as travel, foreign exchange, remittance, bill payments, etc. EBIX has a sticky business model with high profit margins. We believe it has significant upside potential and is currently attractively valued. We added this position to the portfolio in March 2020.

GreenSpace Brands Inc. (TSXV:JTR)

GreenSpace Brands Inc. (“GreenSpace”) is a Canadian-based company that develops, markets and sells natural food products to consumers in Canada and the US. Founded in 2002, GreenSpace launched and acquired various brands over the years with a focus on “better for you”. Today their portfolio consists of three brands: Love Child Organics, Central Roast, and Go Veggie. Over the years, the business was built with a focus on revenue growth rather than profitability. A combination of unstable acquisitions and weak operational focus eventually result in unsustainable leverage. We saw value in the brands and decided to lead a private placement to recapitalize the company on the conditions that we reconstitute and control the Board of Directors and appoint the Executive Chairman. In March 2020, we invested \$1.5M in GreenSpace.

MAV Beauty Brands Inc. (TSX:MAV)

MAV Beauty Brands Inc. (“MAV”) is a developer and marketer of personal care products led by its founder Marc Anthony. MAV offers a broad variety of hair care, body care and beauty products through three complimentary brands Marc Anthony, Rempure and Cake. It has a capital light model that drives high free cash flow conversion. We believe it is well positioned to benefit from consumer trends including buying higher quality, natural and environmentally friendly products. We added MAV to the portfolio in March 2020.

Photon Control Inc. (TSX:PHO)

Photon Control Inc. (“PHO”) designs, manufactures, and distributes a wide range of optical sensors and systems to measure temperature and position, particularly under harsh environments and extreme conditions. These sensors are widely used by wafer fabrication equipment manufacturers to improve

efficiency and reduce costs during the manufacturing process. Today the company operates mainly in the semiconductor industry, with minor revenue contribution from the medical sector. Wafer Fab Equipment (WFE) spending was soft in 2019 as companies were trying to use up existing inventory. We started to see a recovery in spending in the past few months and we believe PHO is well positioned for recovery. We added the business to the portfolio in March 2020.

TIMIA Capital Corp. (TSXV:TCA)

TIMIA Capital Corp. ("TIMIA") is a specialty finance company that provides growth capital to technology companies in exchange for payments based on monthly revenue. This alternative financing option complements both debt and equity financing, while allowing entrepreneurs and existing stakeholders to retain ownership and control of their business. TIMIA's singular focus is the fast growing, global, business-to-business Software-as-a-Service (or SaaS) segment. We first added the business to the portfolio in January 2020.

Portfolio Turnover

The Company's portfolio turnover was 15.2% during the period (March 31, 2019 – nil). The portfolio turnover rate is based on the lesser of purchases and proceeds of sales of securities during a period as a percentage of the average value of the Company's investments in that period. While the portfolio turnover rate is not necessarily related to performance, in general, lower turnover rates result in lower trading costs and may reduce realized capital gains and losses.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

Pender's goal is to create long-term capital appreciation for its investors, and to continue to build on its 15.0% annualized return on its Class C Shares since inception. We are long-term investors and we remain committed to our investment theses for the twenty four (24) Portfolio Companies we held as at March 31, 2020.

At Pender, we quantify our investment results in terms of the growth in Net Assets or Net Assets per Share rather than the change in shareholders' equity or the change in our listed share price. The growth in Net Assets per Share over time is primarily a result of investment performance. Similar to many listed investment entities, our shares may trade at prices which are not indicative of the value of our Net Assets per Share. Further, the share price may change due to factors which are unrelated to our Net Assets per Share.

During the three months ended March 31, 2020, the value of our Net Assets per Share ranged from \$4.08 to \$4.66 per share, while our closing share price ranged from a high of \$3.80 per share to a low of \$2.80 per share. During the period the shares traded at prices that ranged from a discount to Net Assets per Share of 18.42% to 34.90%.

The Company's Net Assets were \$32,590,594 as at March 31, 2020 versus \$33,833,017 as at December 31, 2019. This \$1,242,423 (3.7%) decrease for the three months ended March 31, 2020 was attributable to a decrease of \$705,266 from investment performance, operating costs net of income of \$248,376 and share repurchases of \$288,781 under the NCIB described in the "Recent Developments" section of this MD&A.

There were no discontinued operations during the three months ended March 31, 2020 and 2019.

Please refer to the “Financial Performance” and “Financial Condition” sections of this MD&A for additional details and to the “Past Performance” section of this MD&A for the performance of Class C Shares. The sectors in which the Company was invested as at March 31, 2020 are listed under the “Summary of Investment Portfolio” section of this MD&A.

SELECTED FINANCIAL INFORMATION

The following tables present selected key financial information about the Company to provide an understanding of the Company’s financial condition as at March 31, 2020 compared to March 31, 2019 and for the three preceding financial years, as well as its financial performance in the three months ended March 31, 2020, compared to the three months ended March 31, 2019. This section should be read together with the Condensed Interim Financial Statements and the Annual Audited Financial Statements.

Supplemental Data

	2020 Q1	2019 Q1	2019	2018	2017
Net Assets (\$000s)	32,591	17,590	33,833	17,205	18,631
Non-Redeemable Class C Shares Outstanding	7,990,229	4,152,545	8,083,329	4,152,545	4,152,545
Net Assets per Share (\$)	4.08	4.24	4.19	4.14	4.49
Closing Market Price* (\$)	3.00	3.50	3.75	3.10	4.55
Total Increase (Decrease) from Operations per Share (\$)	(0.12)	0.10	0.31	(0.35)	0.15

*Market Price: Closing market price on the last trading day of the period as reported on the TSXV

Financial Performance

	2020 Q1	2019 Q1
Net realized gain (loss)	\$ 595,295	\$ -
Change in net unrealized gain (loss)	(1,300,561)	611,116
Foreign exchange gain (loss)	1,236	(1,445)
Dividend, interest and securities lending income	92,327	28
Total income	(611,703)	609,699
Management fees	(188,914)	(114,335)
Withholding taxes, GST/HST and transactions cost	(28,136)	-
Other expenses	(124,889)	(110,729)
Total expenses	(341,939)	(225,064)
Net income (loss) before income taxes	(953,642)	384,635
Income tax (recovery)	-	-
Net comprehensive income	\$ (953,642)	\$ 384,635
Management expense ratio	3.55%	5.22%
Trading expense ratio	0.08%	0.00%

Financial performance for the three months ended March 31, 2020

Highlights of the factors contributing to Pender's investment performance in the three months ended March 31, 2020 are presented in the "Portfolio of Investments" section of this MD&A.

(a) Net realized gain (loss)

Net realized gains and losses on investments are the result of the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the three months ended March 31, 2020, net realized gain on investments were \$595,295 (March 31, 2019 – Nil), attributable to the divestiture of BasicGov Systems, Inc. and Sangoma Technologies Inc. discussed in the "Portfolio of Investments" section of this MD&A.

(b) Net unrealized gain (loss)

Net unrealized gains and losses on investments are the result of changes in the value of Portfolio Companies held throughout the period, as well as the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the three months ended March 31, 2020, Pender's net change in unrealized loss on investments is \$1,300,561 (March 31, 2019 – gain of \$611,116) as overall negative markets resulted in a decrease in the traded prices of most of Pender's publicly listed Portfolio Companies.

(c) Foreign exchange gain (loss)

Pender's financial statements are presented in Canadian dollars, so to the extent that it holds US dollar-denominated assets and/or liabilities, it is exposed to fluctuations in currency exchange rates which may result in foreign currency gains and/or losses. During the three months ended March 31, 2020, Pender incurred a foreign exchange gain of \$1,236 (March 31, 2019 - a loss of \$1,445). At present, the Manager believes that the level of the Company's US dollar-denominated assets does not warrant hedging the exposure to fluctuations in exchange rates.

(d) Dividend, interest and securities lending income

The Company may earn dividends, interest on its investments in securities, interest on its cash balances, and/or income from securities lending. The Company earned \$92,327 of dividend, interest and securities lending income during the three months ended March 31, 2020 (March 31, 2019 - \$28 of interest and securities lending income). The increase is due to dividend income from Sylogist Ltd and Crown Capital Partners Inc., interest income from the convertible debentures of Siyata Mobile Inc. and Clarius Mobile Health Corp. and bank interest.

(e) Management Fees

The Company pays the Manager a management fee which is calculated as a percentage of Net Assets. The fee varies from period to period in proportion to the variance in the average balance of Net Assets. During the three months ended March 31, 2020, the management fees paid by the Company reflected the effect of changes in the level of Net Assets.

The \$14,244,515 net increase in Net Assets in the second quarter of 2019, was primarily due to the Company's May 2019 secondary offering of Class C shares on the TSXV.

The new management fee rate schedule that came into effect on May 2019, reduced the management fee from an effective rate of 2.50% of Net Assets, to 2.50% on the first \$15 million of Net Assets and 1.75% on Net Assets over \$15 million.

The net effect of these changes was an increase in the management fee expense for the three months ended March 31, 2020 as compared to the same period in 2019. The \$188,914 management fee expense in the three months ended March 31, 2020 was \$74,579 higher than the fee of \$114,335 paid in the three months ended March 31, 2019.

(f) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total of all expenses of the Company other than commissions and other portfolio transaction costs, by the average Net Assets. The 3.55% MER for the three months ended March 31, 2020 was lower than the 5.22% MER during the 3 months ended March 31, 2019, primarily due to the change in management fee rate structure and the increase in the average value of Net Assets on the secondary offering of Class C shares described under "Management Fees" of this MD&A.

(g) Trading Expense Ratio

The TER is an annualized percentage calculated by dividing the total of all commissions and other portfolio transaction costs by the average Net Assets during the period. The small number of Portfolio Companies and the long-term investment horizon of the Company have resulted in a TER that is relatively low. The TER for the three months ended March 31, 2020 is 0.08% (March 31, 2019 - 0.00%), reflecting the fact that there were very few portfolio transactions during the period (March 31, 2019 – nil) and that their cost was minimal.

Financial Highlights

Net Assets per Share (Note 1)	2020 Q1	2019 Q1	2019	2018	2017
Net Assets per Share (beginning of period)	\$4.19	\$4.14	\$4.14	\$4.49	\$4.34
Increase (decrease) from operations:					
Total revenue	0.01	0.00	0.09	0.00	0.00
Total expenses	(0.04)	(0.04)	(0.16)	(0.18)	(0.19)
Realized gains (losses)	0.07	0.00	0.09	0.00	0.17
Unrealized gains (losses)	(0.16)	0.14	0.29	(0.17)	0.17
Total increase (decrease) from operations	(0.12)	0.10	0.31	(0.35)	0.15
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	-	-	-	-	-
Net Assets per Share (end of period)	\$4.08	\$4.24	\$4.19	\$4.14	\$4.49
Ratios and Supplemental Data					
Total net asset value (\$000s)	\$32,591	\$17,590	\$33,833	\$17,205	\$18,631
Number of shares outstanding	7,990,229	4,152,545	8,083,329	4,152,545	4,152,545
Closing market price	\$3.00	\$3.50	\$3.75	\$3.10	\$4.55

Note 1 - Net assets per share is based on the number of shares outstanding at the relevant time. The increase (decrease) from operations per share is based on the weighted-average number of shares outstanding during the period. Therefore, the beginning of period net assets plus the increase (decrease) from operations will not sum to the end of period net assets.

Financial Condition

	March 31, 2020	December 31, 2019
Assets		
Investments	\$ 28,165,103	\$ 25,345,146
Cash	4,626,010	8,199,875
Receivable for investments sold	667,631	-
Interest receivable	9,255	491,123
Prepaid expenses	7,001	4,546
Other receivable	2	73
Total assets	33,475,002	34,040,763
Liabilities		
Payable for investments purchased	679,945	1,178
Accounts payable and accrued liabilities	104,138	100,815
Due to related parties	100,325	105,753
Total liabilities	884,408	207,746
Shareholders' equity	\$ 32,590,594	\$ 33,833,017

(a) Investments

As at March 31, 2020, Pender's investments of \$28,165,103 comprised publicly listed Portfolio Companies valued at \$13,186,079 and private unlisted Portfolio Companies valued at \$14,979,024. The increase of \$2,819,957 from the investments balance at March 31, 2020 is a result of the deployment of capital into investments in two private and seven public Portfolio Companies new to the portfolio and, the purchase of additional shares of existing Portfolio Companies, offset by the disposition of shares of BasicGov Systems Inc. and Sangoma Technologies Corp. and by unrealized depreciation in both publicly listed and private unlisted Portfolio Companies. Please refer to the "Recent Developments" section of this MD&A as well as

the “Portfolio of Investments” section for a discussion of the Company’s investments and significant factors that affected them in the three months ended March 31, 2020.

(b) Cash

Pender typically holds cash balances to invest in securities and pay expenses. Cash balances are monitored daily by the Manager. The \$4,626,010 cash balance at March 31, 2020 was \$3,573,865 lower than the \$8,199,875 balance at December 31, 2019. The decreased cash from the deployment of capital into investments in two private and seven public Portfolio Companies new to the portfolio, the purchase of additional shares into existing positions, offset by the disposition of shares of BasicGov Systems Inc. and Sangoma Technologies Corp. as well as the payment of expenses and accounts payable.

(c) Interest Receivable

The \$9,255 interest receivable balance relates to interest on two convertible debentures issued to two private Portfolio Companies and bank interest.

(d) Receivable for investments sold

The receivable for investments sold balance relates to a divestiture of the Company’s investment in a private Portfolio Company. During the three months ended March 31, 2020 the balance increased to 667,631 from the disposition of the shares of BasicGov Systems, Inc.

(e) Accounts payable and accrued expenses

The Company’s accounts payable and accrued expenses balance represent amounts due to third parties for operating expenses. During the three months ended March 31, 2020, this balance increased by \$3,323 to \$104,138, as accounts payable and accrued expense amounts increased in the normal course of business.

(f) Due to related parties

The \$100,325 due to related parties as at March 31, 2020 comprises management and administration fees owed to the Manager and third-party expenses paid by the Manager on behalf of the Company. This balance will change during any period as a result of the timing of payments and the change in fees and other expenses due to the Manager. During the three months ended March 31, 2020 the balance decreased by \$5,428 from the prior year-end balance of \$105,753, as management fees and other operating expenses due to the Manager that had accumulated during 2019 were paid in the period.

(g) Shareholders’ equity

Shareholders’ equity represents the equity in the Company owned by the holders of the 7,990,229 non-redeemable Class C common shares outstanding as at March 31, 2020 (December 31, 2019 - 8,083,329). The decrease of 93,100 Class C Common Shares reflects share repurchase from NCIB described in “Recent Developments”.

Cash Flows

For the three months ended March 31, 2020, Pender’s cash balance decreased by \$3,573,865, primarily due to the deployment of capital into publicly listed and private unlisted Portfolio Companies and the payment of expenses and accounts payable, partially offset by the disposition of the shares of BasicGov Systems, Inc and of Sangoma Technologies Corp. (described under “Recent Developments”).

Shareholder Activity

During the three months ended March 31, 2020, the Company repurchased 93,100 shares under the NCIB, described in the “Recent Developments” section of this MD&A.

On July 24, 2019, at the annual general and special meeting, the shareholders approved a special resolution under the *Business Corporations Act* (British Columbia) altering the authorized share structure of the company to (a) create a new class of preferred shares issuable in series; (b) delete the Class B Convertible Non-Participating shares and the Class R Senior Participating Redeemable Convertible Preference Shares, none of which were issued and outstanding; and (c) to alter the Articles of the Company to remove references to the Class R shares from the special rights and restrictions of the Class C Shares.

More information about the formation and history of the Company is available in its Annual Information Form dated April 29, 2020.

SUMMARY OF QUARTERLY RESULTS

The tables below show information about Pender's financial performance for the most recently completed eight quarters. In each quarter, the net income or loss is a result of realized and unrealized gains and losses on investments, dividend, interest and securities lending income, and operating expenses. A comparison of the information presented from quarter-to-quarter does not necessarily indicate any meaningful pattern or correlation.

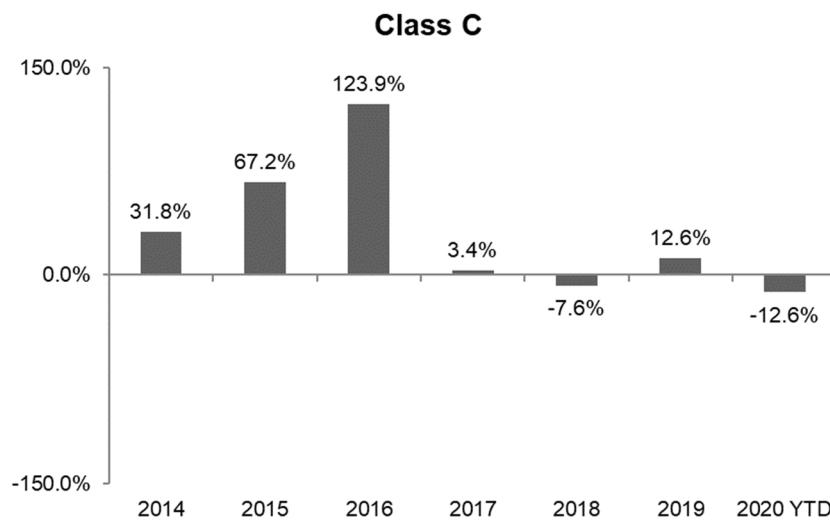
	2020	2019	2019	2019
	Q1	Q4	Q3	Q2
Net realized gain (loss)	\$ 595,295	\$ 706,480	\$ 125,405	\$ (240,628)
Change in net unrealized gain (loss)	(1,300,561)	1,108,024	48,579	156,049
Foreign exchange gain (loss)	1,236	(6,912)	2,110	(1,340)
Dividend, interest and securities lending income	92,327	532,102	65,179	37,633
Total income	(611,703)	2,339,694	241,273	(48,286)
Management fees	(188,914)	(187,536)	(175,866)	(155,762)
Withholding taxes, GST/HST and transactions cost	(28,136)	(17,321)	(4,695)	(725)
Other expenses	(124,889)	(94,393)	(97,494)	(120,643)
Total expenses	(341,939)	(299,250)	(278,055)	(277,130)
Net income (loss) before income taxes	(953,642)	2,040,444	(36,782)	(325,416)
Income tax (recovery)	-	-	-	-
Net comprehensive income	\$ (953,642)	\$ 2,040,444	\$ (36,782)	\$ (325,416)
Net Assets per Share (beginning of period)	\$ 4.19	\$ 3.93	\$ 3.94	\$ 4.24
Net Assets per Share (end of period)	\$ 4.08	\$ 4.19	\$ 3.93	\$ 3.94

	2019	2018	2018	2018
	Q1	Q4	Q3	Q2
Net realized gain (loss)	\$ -	\$ -	\$ -	\$ -
Change in net unrealized gain (loss)	611,116	(223,683)	(242,585)	(166,833)
Foreign exchange gain (loss)	(1,445)	12,825	(4,332)	(2,423)
Dividend, interest and securities lending income	28	1,020	695	1,549
Total income	609,699	(209,838)	(246,222)	(167,707)
Management fees	(114,335)	(114,483)	(117,424)	(119,364)
Withholding taxes, GST/HST and transactions cost	-	-	-	-
Other expenses	(110,729)	(65,883)	(50,779)	(103,742)
Total expenses	(225,064)	(180,366)	(168,203)	(223,106)
Net income (loss) before income taxes	384,635	(390,204)	(414,425)	(390,813)
Income tax (recovery)	-	-	-	-
Net comprehensive income	\$ 384,635	\$ (390,204)	\$ (414,425)	\$ (390,813)
Net Assets per Share (beginning of period)	\$ 4.14	\$ 4.24	\$ 4.34	\$ 4.44
Net Assets per Share (end of period)	\$ 4.24	\$ 4.14	\$ 4.24	\$ 4.34

PAST PERFORMANCE

To illustrate how the Company’s performance has varied over time, the following bar chart shows the Company’s performance for the three months ended March 31, 2020 and for each of the previous 12 months periods ended December 31. The past performance of the Company does not necessarily indicate how it will perform in the future.

Past performance for Class C Shares of the Company is calculated based on its Reported NAV and is not based on its market price on the TSXV. In addition, the information does not take into account sales, redemptions, distributions, income taxes payable or other charges that would have reduced returns or performance. Finally, the information presented for the years prior to 2018 relates to the period when the Company was subject to the Investment Funds Regime. Commencing December 31, 2018, the Company became subject to the Corporate Issuer Regime. Refer to the “Reporting Regime” section of this MD&A for additional details.



SUMMARY OF INVESTMENT PORTFOLIO

Pender's largest Portfolio Company holdings as at the end of the period and the major asset classes in which Pender was invested are indicated below. Where Pender has less than 25 holdings, the table will show the entire investment portfolio. The investment portfolio may change due to ongoing portfolio transactions. Please also refer to the "Schedule of Investment Portfolio" in the Condensed Interim Financial Statements.

Summary of Top 25 Holdings

	% OF NET ASSETS
Private unlisted investments*	46.0
Quorum Information Technologies Inc.	7.6
ProntoForms Corporation	6.9
Sylogist Ltd.	5.0
Sangoma Technologies Corp.	3.6
Diversified Royalty Corp.	3.5
Siyata Mobile Inc.	2.9
GreenSpace Brands Inc.	2.8
Ebix, Inc.	1.6
Vigil Health Solutions Inc.	1.5
Crown Capital Partners Inc.	1.2
ADF Group Inc.	1.1
Redline Communications Group Inc.	1.0
Photon Control Inc.	0.7
TIMIA Capital Corp.	0.4
AgJunction Inc.	0.3
MAV Beauty Brands Inc.	0.3

Summary of Composition of the Portfolio

	% OF NET ASSETS
Software and services	39.0
Information technology	32.0
Technology hardware and equipment	3.9
Consumer discretionary	3.6
Consumer staples	3.1
Health care	2.2
Diversified financial	1.5
Materials	1.1
TOTAL INVESTMENTS	86.4
Cash	14.2
Other assets less liabilities	(0.6)
TOTAL NET ASSETS	100.0

* The value of these investments is disclosed on an aggregate basis due to the nature of private unlisted investments. Refer to the Condensed Interim Financial Statements for more information. The names of these private Portfolio Companies are listed in the table below.

COMMON SHARES

Copperleaf Technologies Inc.
Navarik Corp.
One45 Software Inc.

PREFERRED SHARES

Checkfront Inc.
Copperleaf Technologies Inc., Convertible
D-Wave Systems Inc., Class B, Convertible
D-Wave Systems Inc., Class C, Convertible
Tantalus Systems Corp., Class D, Convertible

SPECIAL WARRANTS

Newtopia Inc., 1.00, 07/11/2022

CONVERTIBLE DEBENTURES

Clarius Mobile Health Corp., 8%, 12/31/2023

DIVIDEND POLICY

The Company does not currently intend to pay regular dividends or other distributions but may do so if, as and when determined by the Board of Directors.

OUTSTANDING SHARE DATA

As at March 31, 2020 the Company has 7,990,229 Class C Shares outstanding.

TRANSACTIONS BETWEEN RELATED PARTIES

As at March 31, 2020, the Manager, directors and officers of the Company directly and/or indirectly held 7.8% of the Company's Class C Shares. The aggregate investment by the Company's directors and officers in all other investee companies did not exceed 1.0% of the any investee company's issued and outstanding shares.

Pender pays management fees and performance fees to the Manager for management and portfolio advisory services.

Effective May 2019, the management fee paid to the Manager was reduced to 2.50% on the first \$15,000,000 of the value of Net Assets and 1.75% on the value of Net Assets above \$15,000,000. Prior to that date, the management fee paid to the Manager was equal to 2.50% of the value of Net Assets up to \$50,000,000 and 2.00% of the value of Net Assets in excess of \$50,000,000. The management fee is calculated and paid monthly. The management fees expenses is \$188,914 for the three months ended March 31, 2020.

Pender also pays the Manager a performance fee in certain circumstances, based on achieving certain performance criteria. The performance fee is calculated as 20% of any net increase in the value of Pender's Net Assets above an annual hurdle rate of 6%. The performance fee is calculated on an annual basis and is subject to a highwater mark, being the year-end value of Net Assets per Share for the most recent preceding year in which a performance fee was earned. Subject to the accumulation of the hurdle rate in years in which no performance fee is payable, the highwater mark will not be reset other than to be adjusted in the event of a subdivision or consolidation of the shares. No performance fee was paid in respect of the three months ended March 31, 2020 or in respect of the three preceding financial years.

The Manager also recovers certain operating expenses incurred by it on behalf of the Company.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2020, the Company was in a strong liquidity position, with cash of \$4,626,010 comprising 14.2% of the value of its Net Assets, and market value of \$12,236,079 or 37.5% of the value of its Net Assets invested in publicly traded securities which could be liquidated with relative ease.

Should the future composition of its portfolio be weighted significantly more toward private investments that cannot be readily sold, the Company would need to secure credit facilities or issue securities to help meet its liquidity needs. There is no immediate need to rely on these liquidity sources.

COMMITMENTS AND CONTINGENCIES

Pender may become liable for commitments and contingencies relating to litigation or claims in the normal course of business as a result of investing. The Manager is not aware of any commitments or contingencies, or any current or planned litigation or claims against it.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

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

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

The Company may hold financial instruments that are not quoted in an active market, including derivatives. Currently, the Company holds common and preferred shares as well as convertible debt and other debt instruments issued by its private Portfolio Companies. Details of these holdings are set forth in the "Summary of Investment Portfolio" section of this MD&A.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next reporting period is included in note 9 of the Condensed Interim Financial Statements and relates to the determination of fair value of investments with significant unobservable inputs.

The Company uses widely recognized valuation models for determining the fair value of relatively simple financial instruments which are publicly traded, such as debt and equity securities, mutual fund units and warrants that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple OTC derivatives such as forward foreign currency contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation, and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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

In determining fair value for instruments for which there is no public market available the Manager

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

Significant unobservable inputs are developed as follows:

(i) Enterprise value:

Represents the amount that market participants would pay when purchasing the Portfolio Company. The Manager determines this value based on comparable arm's length transactions in shares of the applicable comparable entity.

(ii) Revenue multiple:

Revenue multiples are selected from comparable public companies based on geographic location, industry, size, target markets, and other factors that the Manager considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the Portfolio Company by its revenue and may be further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and the specific Portfolio Company.

There are risks associated with holding securities that are not publicly traded. It may be relatively difficult for the Company to dispose of its investment in a private Portfolio Company rapidly at favourable prices in connection with adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts.

CHANGES IN ACCOUNTING POLICIES

The Company has determined there were no changes in accounting policy for the three months ended March 31, 2020.

FUTURE CHANGES IN ACCOUNTING POLICIES

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

PENDER

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