

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Pender Small/Mid Cap Dividend Fund

For the period ended June 30, 2020



This interim Management Report of Fund Performance contains financial highlights but does not contain either the interim financial statements or annual financial statements of the investment fund. You may obtain a copy of the interim financial statements or 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

Results of Operations

The Pender Small/Mid Cap Dividend Fund (the "Fund") commenced operations on January 31, 2020. As at June 30, 2020, the net assets of the Fund were \$4,585,411, representing net unitholder purchases of \$4,505,489 (including seed capital of \$150,000) less \$70,078 attributable to negative investment performance. Because the Fund has been in operation for less than one-year, past performance data is not available.

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 period. Please read the caution regarding forward-looking statements located on the last page of this document.

Key positive individual contributors to the Fund's performance for the period included Richards Packaging Income Fund, Sylogist Ltd., and IBI Group Inc. Conversely, Chorus Aviation Inc., K-Bro Linen Inc., and Diversified Royalty Corp. had the largest adverse impact.

Portfolio transactions during the period 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 included IBI Group Inc., Vecima Networks Inc., and Trisura Group Ltd. 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 period, we sold Badger Daylighting Ltd., Chorus Aviation Inc., and Calian Group Ltd., for example.

As at the end of the period, the Fund was 81.5% invested in Canada, and 18.5% in cash. The Fund's cash position may change over time as a result of portfolio transactions. The Fund's investment portfolio is concentrated and not diversified in the conventional sense. The Fund's top 10 holdings account for 45.5% of the Fund's net assets at the end of the period. This concentration may lead to varied results over any given period.

Overall sector exposure of the Fund is determined by stock selection decisions and may shift from time to time. As at June 30, 2020 we were weighted toward holdings in Industrials, Materials, and Real Estate, because those are the sectors where we believe we are finding the best investment opportunities currently and, equally important, because they contain businesses for which we are best equipped to assess value. These top three sectors accounted for 56.9% of the Fund at the end of the period.

Recent Developments

World markets have experienced unparalleled volatility during 2020. While the initial impact of the COVID-19 outbreak on world markets was muted in January, the widening global impact of COVID-19 and the breakdown of OPEC resulted in markets reacting with significant downward volatility and turmoil in late February and into March 2020. World markets made an astonishing rebound in April. Since then, unprecedented monetary and fiscal stimulus, the initial reopening of global economies, and promising medical progress for potential COVID-19 therapies/vaccines have continued to push world markets higher. World markets in general seem to be on a recovery path. Nonetheless, there remains many uncertainties remain that could cause world markets to turn rapidly and unexpectedly. 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 virus or treat its impact, all of which are beyond our control.

Small cap stocks lagged large caps for the first half of the year. For the six month period ended June 30, 2020, the S&P/TSX Composite Index lost 7.5% while the S&P/TSX SmallCap Index lost 14.3%. We continue to believe that small cap universe is a land of opportunity despite short term pessimism.

Stock markets in general seem to be on a recovery path. Nonetheless, many uncertainties remain that could cause markets to turn rapidly and unexpectedly. In times of uncertainty, we believe it is essential that we stick to our investment process and philosophy. Since inception, the Fund's investment strategy has been to estimate a range of intrinsic value of a company and to buy its stock when it trades at an attractive discount relative to that range. The fund looks to invest in cash generative businesses, many of which pay a dividend. We are looking for companies that have the cash flow strength and balance sheet to continue to pay a dividend throughout the economic cycle. The impact of COVID-19 is stress-testing many companies, but we continue to believe there will be little permanent impairment to the businesses we own in the fund. The importance of an investment discipline increases during periods of heightened volatility and there remains considerable uncertainty as to the long-term impact of this pandemic. However, we are comfortable with our holdings in the fund and their ability to weather the impact.

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 period, parties related to the Manager collectively held 13% of the Fund's units. In addition, the Pender Partners Fund, a fund also managed by the Manager holds 10% of the outstanding units of the Fund.

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 23% of the management fees paid by the Fund to the Manager for the period.

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 period ended June 30, 2020.

| CLASS A | |
|--|---------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.12 |
| Total expenses | (0.02) |
| Realized gains (losses) | (0.31) |
| Unrealized gains (losses) | (0.60) |
| Total increase (decrease) from operations (c) | (0.81) |
| Distributions: | |
| From income (excluding dividends) | (0.10) |
| From dividends | - |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.10) |
| Net assets – end of period | \$9.20 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$252 |
| Number of units outstanding (a) | 27,364 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 2.50% |
| Trading expense ratio (g) | 0.91% |
| Portfolio turnover rate (h) | 24.93% |
| Net asset value per unit (a) | \$9.20 |

| CLASS D | |
|--|---------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.11 |
| Total expenses | (0.02) |
| Realized gains (losses) | (0.20) |
| Unrealized gains (losses) | 2.49 |
| Total increase (decrease) from operations (c) | 2.38 |
| Distributions: | |
| From income (excluding dividends) | (0.10) |
| From dividends | - |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.10) |
| Net assets – end of period | \$9.21 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$177 |
| Number of units outstanding (a) | 19,271 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 1.75% |
| Trading expense ratio (g) | 0.91% |
| Portfolio turnover rate (h) | 24.93% |
| Net asset value per unit (a) | \$9.21 |

FINANCIAL HIGHLIGHTS (CONTINUED)

| CLASS E | |
|--|---------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.12 |
| Total expenses | (0.02) |
| Realized gains (losses) | (0.32) |
| Unrealized gains (losses) | (0.47) |
| Total increase (decrease) from operations (c) | (0.69) |
| Distributions: | |
| From income (excluding dividends) | (0.10) |
| From dividends | - |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.10) |
| Net assets – end of period | \$9.20 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$1,073 |
| Number of units outstanding (a) | 116,600 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 0.50% |
| Trading expense ratio (g) | 0.91% |
| Portfolio turnover rate (h) | 24.93% |
| Net asset value per unit (a) | \$9.20 |

| CLASS F | |
|--|---------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.12 |
| Total expenses | (0.02) |
| Realized gains (losses) | (0.29) |
| Unrealized gains (losses) | 0.05 |
| Total increase (decrease) from operations (c) | (0.14) |
| Distributions: | |
| From income (excluding dividends) | (0.10) |
| From dividends | - |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.10) |
| Net assets – end of period | \$9.20 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$1,448 |
| Number of units outstanding (a) | 157,382 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 1.50% |
| Trading expense ratio (g) | 0.91% |
| Portfolio turnover rate (h) | 24.93% |
| Net asset value per unit (a) | \$9.20 |

FINANCIAL HIGHLIGHTS (CONTINUED)

| CLASS H | |
|--|---------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.11 |
| Total expenses | (0.02) |
| Realized gains (losses) | (0.33) |
| Unrealized gains (losses) | (0.20) |
| Total increase (decrease) from operations (c) | (0.44) |
| Distributions: | |
| From income (excluding dividends) | (0.10) |
| From dividends | - |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.10) |
| Net assets – end of period | \$9.20 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$563 |
| Number of units outstanding (a) | 61,167 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 2.20% |
| Trading expense ratio (g) | 0.91% |
| Portfolio turnover rate (h) | 24.93% |
| Net asset value per unit (a) | \$9.20 |

| CLASS I | |
|--|---------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.11 |
| Total expenses | (0.02) |
| Realized gains (losses) | (0.37) |
| Unrealized gains (losses) | 0.05 |
| Total increase (decrease) from operations (c) | (0.23) |
| Distributions: | |
| From income (excluding dividends) | (0.10) |
| From dividends | - |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.10) |
| Net assets – end of period | \$9.21 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$512 |
| Number of units outstanding (a) | 55,596 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 1.35% |
| Trading expense ratio (g) | 0.91% |
| Portfolio turnover rate (h) | 24.93% |
| Net asset value per unit (a) | \$9.21 |

FINANCIAL HIGHLIGHTS (CONTINUED)

| CLASS N | |
|--|---------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.11 |
| Total expenses | (0.02) |
| Realized gains (losses) | (0.30) |
| Unrealized gains (losses) | (0.48) |
| Total increase (decrease) from operations (c) | (0.69) |
| Distributions: | |
| From income (excluding dividends) | (0.10) |
| From dividends | - |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.10) |
| Net assets – end of period | \$9.21 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$5 |
| Number of units outstanding (a) | 506 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 1.00% |
| Trading expense ratio (g) | 0.91% |
| Portfolio turnover rate (h) | 24.93% |
| Net asset value per unit (a) | \$9.21 |

| CLASS O | |
|--|---------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.12 |
| Total expenses | (0.02) |
| Realized gains (losses) | (0.10) |
| Unrealized gains (losses) | 1.53 |
| Total increase (decrease) from operations (c) | 1.53 |
| Distributions: | |
| From income (excluding dividends) | (0.10) |
| From dividends | - |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.10) |
| Net assets – end of period | \$9.21 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$555 |
| Number of units outstanding (a) | 60,307 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 0.00% |
| Trading expense ratio (g) | 0.91% |
| Portfolio turnover rate (h) | 24.93% |
| Net asset value per unit (a) | \$9.21 |

FINANCIAL HIGHLIGHTS (CONTINUED)**Footnotes:**

- (a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30, prepared under International Financial Reporting Standards.
- (b) The Fund's information for each class is from the dates each class commenced operations: January 31, 2020.
- (c) 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 period.
- (d) Distributions were paid in cash and/or reinvested in additional units of the Fund.
- (e) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the period and is expressed as an annualized percentage of average net asset value during the period. 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.
- (f) 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.
- (g) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net asset value during the period.
- (h) 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 period. In general, the higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

PAST PERFORMANCE

The past performance for the Fund is not available because it has been in operation for less than one year. The Fund commenced operations on January 31, 2020.

SUMMARY OF INVESTMENT PORTFOLIO

The largest holdings of the Fund as at the end of the period 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 |
|--|-----------------|
| Information Services Corp., Class 'A' | 5.4 |
| Mullen Group Ltd. | 5.4 |
| Intertape Polymer Group Inc. | 5.0 |
| GDI Integrated Facility Services Inc. | 4.6 |
| IBI Group Inc. | 4.6 |
| Hardwoods Distribution Inc. | 4.2 |
| PFB Corporation | 4.2 |
| K-Bro Linen Inc. | 4.1 |
| Pollard Banknote Ltd. | 4.1 |
| ADF Group Inc. | 3.9 |
| FirstService Corp. | 3.6 |
| Vecima Networks Inc. | 3.6 |
| Sylogist Ltd. | 3.5 |
| Alaris Royalty Corp. | 3.4 |
| Richards Packaging Income Fund | 3.2 |
| Computer Modelling Group Ltd. | 3.0 |
| Diversified Royalty Corp. | 2.9 |
| Colliers International Group Inc. | 2.7 |
| Hammond Power Solutions Inc. | 2.6 |
| Trisura Group Ltd. | 2.5 |
| Currency Exchange International, Corp. | 2.2 |
| Transcontinental Inc., Class 'A' | 2.2 |
| Evertz Technologies Ltd. | 1.3 |
| People Corp. | 0.9 |
| Avante Logixx Inc. | 0.2 |

Summary of Composition of the Portfolio

| | % of Net Assets |
|-------------------------------|-----------------|
| Equities | |
| Industrials | 32.9 |
| Materials | 12.2 |
| Real estate | 11.8 |
| Information technology | 8.4 |
| Consumer discretionary | 7.2 |
| Diversified financials | 5.6 |
| Energy | 3.2 |
| Insurance | 2.5 |
| Total investments | 83.8 |
| Cash | 18.5 |
| Other assets less liabilities | (2.3) |
| 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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