

*No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise. None of the securities described in this document nor the Funds are registered with the United States Securities and Exchange Commission.*



## **PenderFund Capital Management Ltd.**

### **ANNUAL INFORMATION FORM**

for

#### **Pender Bond Universe Fund**

Offering Class A, Class D, Class E, Class F, Class H, Class I, Class N, and Class O Units

#### **Pender Corporate Bond Fund**

Offering Class A, Class A (US\$), Class D, Class E, Class F, Class F (US\$), Class H, Class H (US\$), Class I, Class I (US\$), Class N, Class N (US\$), Class O, and Class U Units

#### **Pender Enhanced Income Fund**

Offering Class A, Class A1, Class E, Class F, Class F1, Class I, Class N, and Class O Units

#### **Pender Small Cap Opportunities Fund**

Offering Class A, Class B, Class E, Class F, Class G, Class I, Class N, and Class O Units

#### **Pender Small/Mid Cap Dividend Fund**

Offering Class A, Class D, Class E, Class F, Class H, Class I, Class N, and Class O Units

#### **Pender Strategic Growth and Income Fund**

Offering Class A, Class D, Class E, Class F, Class H, Class I, and Class O Units

#### **Pender Strategic Investment Fund**

Offering Class A, and Class F

#### **Pender US All Cap Equity Fund**

Offering Class A, Class A (US\$), Class D, Class E, Class F, Class F (US\$), Class H, Class I, Class N, Class N (US\$), and Class O Units

#### **Pender Value Fund**

Offering Class A, Class D, Class E, Class F, Class H, Class I, Class N, and Class O Units

#### **Pender Value Fund II**

Offering Class A, Class A1, Class E, Class F, Class F1, Class I, Class N, and Class O Units

**June 25, 2020**

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# **Name, Formation and History of the Funds**

## **Introduction**

This annual information form contains information concerning the following mutual funds:

**Pender Bond Universe Fund**

**Pender Corporate Bond Fund**

**Pender Enhanced Income Fund**

**Pender Small Cap Opportunities Fund**

**Pender Small/Mid Cap Dividend Fund**

**Pender Strategic Growth and Income Fund**

**Pender Strategic Investment Fund**

**Pender US All Cap Equity Fund**

**Pender Value Fund**

**Pender Value Fund II**

(each, a “Fund”, and collectively, the “Funds”).

Each of the Funds is managed by PenderFund Capital Management Ltd. (“Pender” or the “Manager”). The Manager manages other mutual funds, investment funds and venture funds, and may organize new mutual funds, investment funds or venture funds in the future.

To make this document easier to read and understand, we have used personal pronouns throughout much of the text. References to “Pender”, the “Manager”, “our”, “we” or “us” generally refer to Pender in its capacity as manager of the Funds. References to “you” are directed to the reader as a potential or actual investor in the Funds. References to “Unitholder” refer to a holder of a class of units of a Fund. References to “Dealer” refer to both the dealer and the registered representative in your jurisdiction who advises you on your investment. “Pender Fund” and “Pender Funds” refer respectively to one and all of the funds managed by Pender, including the Funds.

## **Head Office**

The head office of the Funds and the Manager is located at 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2.

## **Formation and History of the Funds**

Each of the Funds is an open-end investment trust governed under the laws of the province of British Columbia pursuant to the Thirteenth (13<sup>th</sup>) Amended and Restated Mutual Fund Trust Agreement dated May 25, 2020 (originally dated April 14, 2009) (the “Trust Agreement”) between Pender, in its capacity as manager of the Funds, and Pender, in its capacity as trustee of the Pender Funds.

The following table outlines the history and amendments to the Trust Agreement:

<b>Amendment Number</b>	<b>Date of Amendment</b>	<b>Key Amendments</b>
Original	April 14, 2009	<ul style="list-style-type: none"> <li>• Pender Corporate Bond Fund and Pender Small Cap Opportunities Fund were formed</li> </ul>
First (1 <sup>st</sup> )	May 26, 2009	<ul style="list-style-type: none"> <li>• Updates to administrative matters</li> </ul>
Amendment No.1 to First (1 <sup>st</sup> )	October 18, 2010	<ul style="list-style-type: none"> <li>• Pender Strategic Growth and Income Fund was formed</li> </ul>
Second (2 <sup>nd</sup> )	March 20, 2012	<ul style="list-style-type: none"> <li>• Change of trustee of the Funds to Pender</li> </ul>
Third (3 <sup>rd</sup> )	June 27, 2013	<ul style="list-style-type: none"> <li>• Pender US All Cap Equity Fund and Pender Value Fund were formed</li> </ul>
Fourth (4 <sup>th</sup> )	August 13, 2013	<ul style="list-style-type: none"> <li>• Added additional classes to certain Funds</li> </ul>
Fifth (5 <sup>th</sup> )	June 18, 2014	<ul style="list-style-type: none"> <li>• Added additional classes to certain Funds</li> </ul>
Sixth (6 <sup>th</sup> )	April 8, 2015	<ul style="list-style-type: none"> <li>• Updates to administrative matters</li> </ul>
Seventh (7 <sup>th</sup> )	May 22, 2015	<ul style="list-style-type: none"> <li>• Added additional classes to certain Funds</li> </ul>
Eighth (8 <sup>th</sup> )	May 20, 2016	<ul style="list-style-type: none"> <li>• Added additional classes to certain Funds</li> </ul>
Ninth (9 <sup>th</sup> )	April 27, 2017	<ul style="list-style-type: none"> <li>• Added additional classes to certain Funds</li> </ul>
Tenth (10 <sup>th</sup> )	May 22, 2018	<ul style="list-style-type: none"> <li>• Added additional classes to certain Funds</li> </ul>
Eleventh (11 <sup>th</sup> )	May 22, 2019	<ul style="list-style-type: none"> <li>• Added additional classes to certain Funds</li> </ul>
Twelfth (12 <sup>th</sup> )	November 29, 2019	<ul style="list-style-type: none"> <li>• Pender Bond Universe Fund and Pender Small/Mid Cap Dividend Fund were formed</li> </ul>
Thirteenth (13 <sup>th</sup> )	May 25, 2020	<ul style="list-style-type: none"> <li>• Added Pender Enhanced Income Fund (formerly, the Vertex Enhanced Income Fund), Pender Strategic Investment Fund, and Pender Value Fund II (formerly, the Vertex Value Fund)</li> <li>• Updates to administrative matters</li> </ul>

Pender Enhanced Income Fund (formerly, the Vertex Enhanced Income Fund) and Pender Value Fund II (formerly, the Vertex Value Fund) were formed pursuant to a master trust agreement dated September 14, 2009, as amended and restated on April 30, 2010 between Vertex One Asset Management Inc. (“Vertex One”), in its capacity as manager, and RBC Dexia Investor Services Trust (“RBC Dexia”), as trustee. On October 5, 2012, Vertex One and CIBC Mellon Trust Company (“CIBC Mellon Trust”), entered into an amending agreement, whereby CIBC Mellon Trust was appointed as trustee of the Funds, replacing RBC Dexia. The amended trust agreement was restated and entered into between Pender, in its capacity as manager of Pender Enhanced Income Fund and Pender Value Fund II, and CIBC Mellon Trust, as trustee effective December 15, 2019, to continue the Funds following Pender’s acquisition of the investment fund management contracts for the Funds, which were renamed the “Pender Enhanced Income Fund” and “Pender Value Fund II” effective December 15, 2019 (the “Transaction”). On December 15, 2019, Pender and Vertex One announced the completion of the Transaction, whereupon Pender became the investment fund manager and portfolio manager of the Pender Enhanced Income Fund and Pender Value Fund II. On May 25, 2020, the amended trust agreement between Pender and CIBC Mellon Trust was terminated and Pender Enhanced Income Fund and Pender Value Fund II were incorporated into the Trust Agreement.

The Trust Agreement may be examined by Unitholders at the head office of the Manager during regular business hours. You can contact the Manager at **1-866-377-4743** or email **info@penderfund.com** for more details. The Trust Agreement can also be found on the SEDAR website at **www.sedar.com**.

On June 25, 2020, the Funds filed a simplified prospectus (the “Simplified Prospectus”) with the securities regulatory authorities in each of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec, Saskatchewan, Northwest Territories, Nunavut and Yukon.

The Funds have entered into certain material contracts since formation, as set forth in the “*Material Contracts*” section of this annual information form.

## Investment Restrictions and Practices

### National Instrument 81-102

The Simplified Prospectus contains detailed descriptions of the investment objectives, investment strategies and investment risks for each of the Funds. In addition, the Funds are subject to certain restrictions and practices contained in securities legislation, including *National Instrument 81-102 Investment Funds* (“NI 81-102”), which are designed, in part, to ensure that the investments of mutual funds are diversified and relatively liquid and to ensure the proper administration of the Funds. The Funds will be managed in accordance with these restrictions and practices. The Funds will obtain relief from the securities regulatory authorities before implementing any variations from these restrictions and practices.

On March 18, 2016, the Pender Corporate Bond Fund was granted an exemption from the restrictions found in subsections 2.5(2)(a) and (c) of NI 81-102 in order to permit it to invest in credit closed-end funds. Credit closed-end funds are non-redeemable investment funds whose securities are traded on a recognized exchange in Canada or the United States, are distributed in Canada or the United States, invest primarily in fixed income and, in respect of a Canadian credit closed-end fund, are subject to NI 81-102.

A copy of the investment restrictions and practices applicable to and adopted by the Funds may be obtained from the Manager upon request.

### Change in Objectives and Strategies

The fundamental investment objectives and the investment strategies of each Fund are set out in the Simplified Prospectus. The fundamental investment objectives of the Funds may only be changed with the approval of the Independent Review Committee of the Funds and a simple majority of the votes cast by the Unitholders of all classes of units of a Fund at a meeting called for that purpose. The Manager may change a Fund’s investment strategies from time to time at its discretion.

## Description of Securities of the Funds

### Classes of Units

The Funds are authorized to have an unlimited number of classes of units and may issue an unlimited number of units of each class. The following table lists the classes each Fund has created and authorized, and offers for purchase under the Simplified Prospectus:

Fund	Classes Authorized	Classes Offered for Purchase
Pender Bond Universe Fund	A, D, E, F, H, I, N, O	A, D, E, F, H, I, N, O
Pender Corporate Bond Fund	A, A (US\$), D, E, F, F (US\$), H, H (US\$), I, I (US\$), N, N (US\$), O, U	A, A (US\$), D, E, F, F (US\$), H, H (US\$), I, I (US\$), N, N (US\$), O, U
Pender Enhanced Income Fund	A, A1, E, F, F1, I, N, O	A, A1, E, F, F1, I, N, O

<b>Fund</b>	<b>Classes Authorized</b>	<b>Classes Offered for Purchase</b>
Pender Small Cap Opportunities Fund	A, B, E, F, G, I, N, O	A, B, E, F, G, I, N, O
Pender Small/Mid Cap Dividend Fund	A, D, E, F, H, I, N, O	A, D, E, F, H, I, N, O
Pender Strategic Growth and Income Fund	A, D, E, F, H, I, O	A, D, E, F, H, I, O
Pender Strategic Investment Fund	A, F	A, F
Pender US All Cap Equity Fund	A, A (US\$), D, E, F, F (US\$), H, I, N, N (US\$), O	A, A (US\$), D, E, F, F (US\$), H, I, N, N (US\$), O
Pender Value Fund	A, D, E, F, H, I, N, O	A, D, E, F, H, I, N, O
Pender Value Fund II	A, A1, E, F, F1, I, N, O	A, A1, E, F, F1, I, N, O

Without your consent or notice to you, the Manager may establish additional classes of units of the Funds and may determine the rights as between those classes.

The principal differences between the classes of units of the Funds relate to the management fees payable to Pender. These are described under “*Fees and Expenses*” and “*Dealer Compensation*” in the Simplified Prospectus.

All units of a Fund are entitled to participate in the Fund’s assets on liquidation on a class basis. All classes of units are issued as fully paid and non-assessable and are redeemable at their net asset value.

### **Conversion and Switching**

Units of the Funds have the conversion and switching rights described below under the heading “*Purchases, Changing Classes, Switches and Redemptions*”.

### **Redemption Rights**

Units of the Funds have the redemption rights described below under the heading “*Purchases, Changing Classes, Switches and Redemptions*”.

### **Distribution Rights**

The Funds distribute their net investment income and capital gains according to the following table. Distributions on all units of the Funds will be automatically reinvested in additional units of the Fund, unless a payment in cash is requested. Reinvested distributions will be invested at the net asset value per unit of that class on the date of distribution.

<b>Fund</b>	<b>Distribution Frequency</b>	
	<b>Net Investment Income</b>	<b>Net Capital Gains</b>
Pender Bond Universe Fund	Monthly	Annually
Pender Corporate Bond Fund	Monthly	Annually

Fund	Distribution Frequency	
	Net Investment Income	Net Capital Gains
Pender Enhanced Income Fund	Monthly	Annually
Pender Small Cap Opportunities Fund	Annually	Annually
Pender Small/Mid Cap Dividend Fund	Quarterly	Annually
Pender Strategic Growth and Income Fund	Quarterly	Annually
Pender Strategic Investment Fund	Annually	Annually
Pender US All Cap Equity Fund	Annually	Annually
Pender Value Fund	Annually	Annually
Pender Value Fund II	Annually	Annually

## Voting Rights

You have the right to exercise one vote for each unit of a Fund held at meetings of Unitholders of that Fund and at any meetings of investors of that class. Pender is required to convene a meeting of a Fund to ask Unitholders to consider and approve, by not less than a majority of the votes cast at the meeting, certain material changes proposed for the Fund. Unitholders are permitted to vote on all matters that require Unitholder approval under NI 81-102 or under the Trust Agreement. These matters include:

- a change in the basis of the calculation of a fee or expense charged to a Fund or a class by non-arm's length parties (such as the Manager), or charged to Unitholders by the Manager in connection with the holding of units of a Fund, if the change could result in an increase in charges to a Fund, a class or you;
- the introduction of a fee or expense charged to a Fund or a class by non-arm's length parties, or charged to Unitholders by the Manager in connection with the holding of units of a Fund;
- a change of the manager, unless the new manager is an affiliate of the Manager;
- a change in the fundamental investment objectives of a Fund;
- a decrease in the frequency of the calculation of the net asset value per unit of a Fund; and
- certain material reorganizations of a Fund.

You will receive notice in advance of any other significant proposed changes in a Fund in which you are a Unitholder, except for routine administrative or compliance changes that would not have an adverse monetary impact on your investment. Where the nature of the business to be transacted at a Unitholder meeting concerns an issue that is relevant only to the Unitholders of a particular class or classes, only Unitholders of those classes to which such business is relevant will be entitled to vote and such units will be voted separately as a class.

## Valuation of Securities and Calculation of Net Asset Value

As described in this annual information form under the heading "*Purchases, Changing Classes, Switches and Redemptions*", units of a Fund may be purchased or redeemed at the price per unit of that unit class as next determined after the receipt of a purchase order or a redemption order as the case may be.

The price per unit of the Funds will be the net asset value per unit of that class of units. The net asset value per unit of each class of unit of each Fund is determined on a daily or weekly basis, as the case may be, as indicated in the following table:

Fund	Valuation Frequency
Pender Bond Universe Fund	Daily
Pender Corporate Bond Fund	Daily
Pender Enhanced Income Fund	Daily
Pender Small Cap Opportunities Fund	Weekly
Pender Small/Mid Cap Dividend Fund	Weekly
Pender Strategic Growth and Income Fund	Daily
Pender Strategic Investment Fund	Weekly
Pender US All Cap Equity Fund	Weekly
Pender Value Fund	Daily
Pender Value Fund II	Daily

Any Fund that is valued weekly will be valued daily once it engages in short-selling or specified derivatives as part of its investment strategy. The Funds are valued only on a day that the Toronto Stock Exchange (the "TSX") is open for trading or such other time as the Manager determines appropriate (a "Valuation Date"). The Manager shall determine and calculate or cause to be determined and calculated the net asset value of a Fund on a particular Valuation Date on behalf of the Fund in accordance with the following principles:

- (a) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the reasonable value thereof;
- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be held at amortized cost, which approximates fair value;
- (c) the value of any security, index futures or index options thereon which is listed on any recognized exchange shall be determined by the last traded price on the Valuation Date or, if the last traded price is not available, the average between the closing bid and asked quotations on the Valuation Date, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then the value shall be determined by reference to the last previous date on which such stock exchange was open for trading;
- (d) the value of any mutual funds ("Underlying Funds") held by the Fund will be valued at their respective net asset values on each Valuation Date. The Underlying Funds calculate their respective net asset values on the same basis as the Funds;
- (e) the value of any security or other asset for which a market quotation is not readily available shall be its fair market value as determined by the Manager using a valuation technique that requires the use of inputs and assumptions based on observable market data;



- (f) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that a Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
- (g) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (h) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by a Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the net asset value of a Fund. The securities, if any, that are the subject of a written clearing corporation option, option on futures or over-the-counter option shall be valued at their then current market value;
- (i) the value of a futures contract or a forward contract, shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the futures contract or the forward contract, as the case may be, were to be closed out, unless daily limits are in effect, in which case fair value shall be based on the current market value of the underlying interest;
- (j) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (k) all property of a Fund valued in a foreign currency and all liabilities and obligations of a Fund payable in a foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Manager, including, but not limited to, the Manager or any of its affiliates; and
- (l) all expenses or liabilities (including fees payable to the Manager) of a Fund shall be calculated on an accrual basis.

The value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in good faith in such manner as the Manager from time to time adopts. The value of assets and liabilities of the Funds established by the Manager in accordance with these rules shall be conclusive and binding on all Unitholders. Where the Manager is provided with a value, quotation, estimate or other information related to the value of any property of a Fund by a third party (collectively, "Third Party Data"), the Manager may rely on such Third Party Data and shall have no responsibility or liability, whatsoever, for any loss or damage arising out of or in connection with the Manager's reliance on such Third Party Data.

Pursuant to the Notice of Amendment to *National Instrument 81-106 Investment Fund Continuous Disclosure* ("NI 81-106"), investment funds calculate their net asset value using fair value (as defined therein) for the purposes of unitholder transactions. The Manager has established policies to determine the fair value of the securities held by the Funds in accordance with NI 81-106 and such policies have been approved by the board of directors of the Manager of the Funds.

The net asset value and net asset value per unit of each Fund is published by various media outlets on each Valuation Date. You can also obtain this information, at no cost to you, by contacting the Manager at **1-866-377-4743** or by email at **info@penderfund.com**. This information is also available on our website at **www.penderfund.com**.

## **Purchases, Changing Classes, Switches and Redemptions**

### **Purchases**

You may only buy Class A, Class A (US\$), Class A1, Class B, Class H and Class H (US\$) units via the front-end load sales charge method. Class A (US\$) and Class H (US\$) units are denominated in US dollars.

There are no sales charges on the purchase or redemption of any other class of units.

Class D, Class F, Class F (US\$), Class F1, Class G, Class I, Class I (US\$) and Class U units may be purchased under the Simplified Prospectus only through an investment advisor who has obtained the consent of Pender to offer these classes. Class F (US\$) and Class I (US\$) units are denominated in US dollars.

Class E, Class N, Class N (US\$) and Class O units may be purchased under the Simplified Prospectus by qualified investors by contacting us. Class N (US\$) units are denominated in US dollars.

Units of the Funds are distributed by authorized registered Dealers. You may purchase units by sending the purchase amount to your Dealer. The price of a unit of a Fund is the applicable net asset value per unit next determined after receipt by the Fund of an order to purchase. On the same day your order is received, your Dealer will forward the order to the Fund's head office by telecommunications facility, courier, facsimile or priority post without cost to you. Certificates will not be issued for units purchased.

Class A (US\$), Class F (US\$), Class H (US\$), Class I (US\$) and Class N (US\$) units of the Pender Corporate Bond Fund are substantially hedged against changes in the Canadian currency relative to the US currency and, with the exception of Class U, the unhedged class, the remaining classes of the Pender Corporate Bond Fund are substantially hedged against changes in the US currency relative to the Canadian currency. In hedging, the Pender Corporate Bond Fund attempts to reduce the impact on the Fund's performance of fluctuations in the exchange rates between Canadian and US currencies. These classes will be substantially hedged using derivative instruments such as foreign currency forward contracts although there may be circumstances, from time to time, in which the Fund may not or may not be able to fully hedge its Canadian or US dollar exposure, as the case may be, in respect of these classes.

Your initial investment in any class of units other than Class E, Class H, Class H (US\$), Class I, Class I (US\$), Class N, Class N (US\$) and Class O units of the Funds, must be at least \$5,000. After your initial investment, you can make further investments of at least \$100 per investment. With respect to Class H, Class H (US\$), Class I and Class I (US\$) units of the Funds, your initial investment must be at least \$100,000 and your subsequent purchases must be a minimum of \$100. With respect to Class N and Class N (US\$) units for institutional investors and other qualified investors, your initial investment must be at least \$5,000,000 and your subsequent purchase must be a minimum of \$100. With respect to Class E and Class O units, minimum initial investment amounts are to be negotiated between the Unitholder and the Manager. We will determine, and from time to time may change, the minimum amounts for initial and subsequent investments in any class.

If we do not receive payment within two business days of processing your purchase order for units of a Fund, we must redeem your units on the next business day. If the proceeds are greater than the payment you owe, the Fund will keep the difference. If the proceeds are less than the payment you owe, we will pay the difference to the Fund on your behalf and collect this amount from your Dealer, who may collect the amount from you.

We may reject your purchase order within one business day of receiving it. Any monies sent with your order will be returned immediately without interest.

### **Changing Classes**

You may change between classes of units of the same Fund if you are eligible. A class change is called a "conversion". You may convert units of one class into units of another class of the same Fund. When you convert units between classes, the value of your investment will not change (except in respect of any fees you pay to convert), but the number of units you hold may change. This is because each class of units may have a different

unit price. When changing classes, a short-term trading fee may apply if the units are changed within 30 days from the date of purchase. See “*Fees and Expenses*” in the Simplified Prospectus, regarding short-term trading charges. Your Dealer may charge you a fee for doing a change. See “*Fees and Expenses*” in the Simplified Prospectus, regarding switch fees. In general, a conversion between classes in the same Fund is not considered a sale for tax purposes, so no capital gain or loss will result. However, any redemption of units to pay for a change fee charged by your Dealer will be considered a sale for tax purposes. For a further discussion of the tax consequences, see “*Income Tax Considerations for Investors*”.

You may change units of a particular class into units of another class of the same Fund if you are an eligible investor for the class of units into which you are changing. See “*Description of Units*” in the Simplified Prospectus.

If you cease to be eligible to hold units of a particular class, we may change your units into a different class after giving you 30 days’ prior notice, unless you notify us during the notice period and we agree that you are once again eligible to hold that class of units. Your Dealer may charge you a fee for changing classes.

## Switches

You can redeem all or a portion of your units of one Fund to buy units of another Pender Fund, as long as you meet the minimum initial investment requirement. This is called a switch. Depending on the class of units and the purchase option you are switching from and to, and the length of time you have owned the units, your switch may affect the fees you pay and the compensation your Dealer receives, including the following:

- A short-term trading fee may apply if the units are switched within 30 days from the date of purchase. See “*Fees and Expenses*” in the Simplified Prospectus regarding short-term trading charges.
- Your Dealer may charge you a fee for doing a switch. See “*Fees and Expenses*” in the Simplified Prospectus regarding switch fees.
- Depending on the Fund, class of unit and purchase option you switch between, your Dealer may be paid a higher or lower trailing commission. See “*Dealer Compensation*” in the Simplified Prospectus.

When we receive your order to switch, we will redeem your units in the original Fund and use the proceeds to buy units of the same class of another Pender Fund. There may be tax consequences for the sale or redemption of units for a switch. For a further discussion of the tax consequences, see “*Income Tax Considerations for Investors*”.

## Redemptions

You can redeem your units for cash at any time, subject to certain specific Fund redemption restrictions and suspensions of redemption rights described below. Your Dealer will forward your redemption order to us on the same day the Dealer receives it from you.

A Fund will redeem units for the redemption price, which is equal to the total of the net asset value per class as at the end of the Valuation Date that falls on or occurs immediately after the date on which a fully completed redemption request is received by the Fund (with any redemption request received after 4:00 p.m. ET on a Valuation Date being deemed, for such purpose, to be received on the following Valuation Date).

Redemptions of Class A (US\$), Class F (US\$), Class H (US\$), Class I (US\$) or Class N (US\$) units of the Funds, will be paid in US dollars. Redemptions of all remaining Fund classes will be paid in Canadian dollars.

For wire order redemptions requested via wire order, if we do not receive all the documentation we need from you to complete the redemption order within 10 business days, we must repurchase your units. If the purchase price is less than the redemption price for the units, the Fund keeps the difference. If the purchase price is greater than the redemption price for the units, your Dealer will be responsible for paying this difference and the associated costs. Your Dealer may require you to reimburse the amount paid. If at any time you request a partial redemption of your units so that the aggregate net asset value of your units of a Fund would be less than \$5,000,

we may require that all such units of the Fund be redeemed after we provide you with at least 30 days' written notice.

Under certain circumstances, your right to redeem may be suspended in accordance with securities legislation. For example, your right to redeem units of a Fund may be suspended if trading is suspended on stock exchanges on which over 50% of the investments of the Fund trade. We may also suspend your right to redeem units of a Fund, with the consent of applicable securities regulatory authorities, if we cannot determine the value of the net assets of the Fund.

Under the terms of the Trust Agreement, effective December 16, 2020, the Trustee is permitted to allocate capital gains it has realized to fund a redemption to redeeming Unitholders. On July 30, 2019 the federal budget proposed amendments to the Tax Act that would limit the amount of capital gain to a redeeming unitholder to the capital gain that would otherwise be realized on the redemption of their units.

## **Pre-Authorized Chequing Plan (“PAC”)**

You can purchase units of a Fund by making regular investments through a PAC.

Your initial investment in any class of units other than Class E, Class H, Class H (US\$), Class I, Class I (US\$), Class N, Class N (US\$) and Class O units of the Funds, must be at least \$5,000. With respect to Class H, Class H (US\$), Class I and Class I (US\$) units of the Funds, your initial investment must be at least \$100,000. With respect to Class N and Class N (US\$) units of the Funds, for institutional investors and other qualified investors, your initial investment must be at least \$5,000,000. With respect to Class E and Class O units of the Funds, minimum initial investment amounts are to be negotiated between the Unitholder and the Manager. We will determine, and from time to time may change, the minimum amounts for initial and subsequent investments in any class.

After your initial investment, you can make further investments via a PAC on a regular basis of at least \$100 per investment. We will determine, and from time to time may change, the minimum amounts for initial and subsequent investments in any class. You can invest semi-monthly, monthly, quarterly, semi-annually or annually. We may stop your PAC if a payment is not made when due. We may change or discontinue this service at any time.

When you enroll in a PAC, your Dealer will send you the current simplified prospectus and any amendments that have been made. Subject to regulatory approval, you will not be sent a copy of any subsequent simplified prospectus renewals (and any amendments to that simplified prospectus) unless you request that it be sent to you at the time you enroll in a PAC or subsequently request it from your Dealer. You can obtain copies of these documents from your Dealer or by calling us toll free at **1-866-377-4743** or sending us an e-mail at **info@penderfund.com**. The documents can also be found on our website at **www.penderfund.com** or on the SEDAR website at **www.sedar.com**.

You may exercise your statutory right to withdraw from the initial purchase under the PAC. This right does not apply in respect of any subsequent purchase under the plan, but you continue to have all other statutory rights under securities law, including rights arising from any misrepresentations that may have been made, irrespective of whether you request or receive a copy of subsequent simplified prospectus renewals. See “*What are your Legal Rights?*” in the Simplified Prospectus.

## **Automatic Reinvestment of Distributions**

As described under the subheading “*Distribution Policy*” contained in each Fund profile under “*Part B – Specific Information About the Mutual Funds Described in this Document*” in the Simplified Prospectus, unless you indicate that you would like to receive your distribution in cash, we will automatically reinvest your distributions from a particular class of units of a Fund into additional units of the same class of the same Fund at the next net asset value per unit of that class calculated on the date of distribution.

## Responsibility for Fund Operations

### Manager

PenderFund Capital Management Ltd. is the manager of the Funds. The Manager's address is 1830 – 1066 West Hastings St., Vancouver, BC V6E 3X2. Additional information about the Manager and the Funds can be obtained from the Manager's website at [www.penderfund.com](http://www.penderfund.com) or by contacting the Manager at **1-866-377-4743** or [info@penderfund.com](mailto:info@penderfund.com).

The Manager was incorporated under the *Company Act* (British Columbia) (replaced by the *Business Corporations Act* (British Columbia)) on November 18, 2002 under the name 658761 B.C. Ltd. The Manager changed its name to PenderFund Capital Management Ltd. in April 2003.

For information about the ownership of the Manager and its affiliates, see "*Conflicts of Interest*" regarding the principal holders of units. Under the Trust Agreement of the Funds, the Manager is responsible for the management and administration of the Funds. The Manager furnishes or arranges for the furnishing of the office space and facilities, computer equipment and software, clerical help, bookkeeping and internal accounting services required by the Funds. Registry and transfer agency services and all Unitholder servicing requirements are also arranged by the Manager.

### Officers and Directors of the Manager

The name, municipality of residence, office, and principal occupation within the preceding five years of each of the current directors and executive officers of the Manager are set out in the following table:

Name and Municipality of Residence	Position with Manager	Length of Service	Principal Occupation
KELLY EDMISON, LLB Vancouver, BC	Director, Chairman of the Board of Directors	Since April 2003	Director and Chairman of the board of directors of the Manager and Pender Growth Fund Inc. since June 2009; Director of Greenspace Brands Inc. since March 2020; President, Chief Executive Officer and director of Pender Financial Group Corporation from February 2002 to December 2016; and President and Chief Executive Officer of the Manager from December 2007 to April 2016.
DAVID BARR, CFA North Vancouver, BC	President, Chief Executive Officer, Director, Ultimate Designated Person	Since May 2003	President and Chief Executive Officer of the Manager since April 2016; Chief Executive Officer of Pender Growth Fund Inc. since November 2006; Director of the Manager since December 2007; Co-Chief Investment Officer of the Manager from April 2016 to April 2017; and Chief Investment Officer of the Manager from April 2009 to April 2016.

<b>Name and Municipality of Residence</b>	<b>Position with Manager</b>	<b>Length of Service</b>	<b>Principal Occupation</b>
FELIX NARHI, CFA North Vancouver, BC	Chief Investment Officer, Director	Since July 2013	Chief Investment Officer of the Manager since April 2017; Director of the Manager since October 2017; Portfolio Manager of the Manager since August 2013; and Co-Chief Investment Officer of the Manager from April 2016 to April 2017.
GINA JONES, CPA, CA, CF, ICD.D Vancouver, BC	Chief Financial Officer, Chief Compliance Officer, Corporate Secretary	Since June 2017	Chief Financial Officer and Corporate Secretary of the Manager and Chief Financial Officer of Pender Growth Fund Inc. since June 2018; Chief Compliance Officer of the Manager since July 2017; Chief Financial Officer of Working Opportunity Fund (EVCC) Ltd. since March 2019; Chief Operating Officer of the Manager from June 2017 to June 2018; Director of Southern Silver Exploration Corp. since December 2019; and Chief Financial Officer and Chief Operating Officer of Salman Partners Inc. from September 2014 to September 2016.
DONALD CAMPBELL, LLB Winnipeg, MB	Director	Since April 2009	Partner of Canadian Compliance & Regulatory Law, specializing in securities law and regulatory compliance since 2003.

The following are biographical descriptions of the directors and officers of the Manager:

*Kelly Edmison, Director and Chairman of the Board of Directors*

Mr. Edmison founded the Manager in 2003 and is currently a shareholder, director and Chairman of the board of directors of the Manager. He was a commercial lawyer for over 20 years, practicing in Calgary, Hong Kong and Vancouver. For much of that time he was focused on representing private and public BC-based technology companies. For the last 20 years he has been a director or officer of a number of public and private companies in a variety of sectors, including technology products and services, and healthcare, with a particular focus on software. The public companies included eDispatch.com (telematics), ALI Technologies (medical software), Carmanah Technologies (solar powered lighting), BSM Technologies Inc. and QHR Technologies (electronic medical records) and private companies included Icron Technologies (communication hardware), ActiveState Software (open source software) and Monexa Technologies (payment services). Mr. Edmison is currently on the boards of the Manager, Pender Growth Fund Inc. and Greenspace Brands Inc. He holds a Bachelor of Arts in Economics from the University of Toronto and a law degree from Queen's University.

*David Barr, President, Chief Executive Officer and Director*

Mr. Barr was appointed President and Chief Executive Officer of the Manager in April 2016. He is the portfolio manager of a number of investment funds also managed by the Manager and the Chief Executive Officer of Pender Growth Fund Inc. Mr. Barr is also a director and shareholder of the Manager. Mr. Barr served as Co-

Chief Investment Officer of the Manager from April 2016 to April 2017, served as Chief Investment Officer of the Manager from April 2009 to April 2016, and served as Chief Financial Officer from November 2005 until April 2009. Mr. Barr was appointed Corporate Secretary on November 8, 2006, having joined the Manager as an investment manager in 2003.

Mr. Barr holds a Bachelor of Science degree from the University of British Columbia and a Masters of Business Administration from Schulich School of Business at York University. Mr. Barr is a CFA charterholder and a member of the CFA Institute. Mr. Barr is a registered portfolio manager in British Columbia and a past president of CFA Society Vancouver.

*Felix Narhi, Chief Investment Officer and Director*

Mr. Narhi is the Chief Investment Officer of the Manager. He was Co-Chief Investment Officer in April 2016 until April 2017, when he took over the role fully. He joined the Manager in July 2013 as portfolio manager of the Pender US All Cap Equity Fund and is the co-manager of the Pender Enhanced Income Fund, Pender Partners Fund, Pender Strategic Growth and Income Fund, Pender Value Fund and Pender Value Fund II. Prior to joining the Manager, Mr. Narhi spent nine years at Odlum Brown Limited, an independent and value-oriented investment firm in Vancouver. As a director and senior equity analyst, Mr. Narhi contributed thought leadership and primarily U.S. investment equity ideas to its Model Portfolio, a concentrated equity portfolio that has outpaced the North American benchmarks since its inception in 1994. Mr. Narhi holds a Bachelor of Commerce degree from the University of British Columbia. He is a CFA charterholder and is a member of the CFA Institute.

*Gina Jones, Chief Financial Officer, Chief Compliance Officer and Corporate Secretary*

Ms. Jones is the Chief Financial Officer and Chief Compliance Officer of the Manager. Ms. Jones joined the Manager as Chief Operating Officer in June 2017 and assumed the role of Chief Compliance Officer in July 2017. In June 2018, Ms. Jones became the Manager's Chief Financial Officer and Corporate Secretary. Ms. Jones has been the Chief Financial Officer of Pender Growth Fund Inc. since June 2018 and of Working Opportunity Fund (EVCC) Ltd. since March 2019. She currently serves on the board of directors of Southern Silver Exploration Corp., a public company.

Previously, Ms. Jones was the Chief Operating Officer and Chief Financial Officer of an independent brokerage firm in Vancouver, as well as the Chief Financial Officer of its U.S. subsidiary. Prior to that, Ms. Jones was Chief Financial Officer at two Vancouver investment dealers. Ms. Jones holds a Bachelor of Commerce degree from the University of British Columbia, articulated with PricewaterhouseCoopers LLP, and is a CPA, CA, CF, and Chartered Professional Accountant with Corporate Finance specialty designation. She holds the ICD.D designation from the Institute of Corporate Directors.

*Donald Campbell, Director*

Mr. Campbell has been a member of the board of the Manager since 2009 and provides ongoing regulatory advice to the Manager. He is also the Secretary of the Manager's Independent Review Committee. Mr. Campbell has been practicing law in Winnipeg since 1990. From 2002 to 2003 he was the National Director of Compliance for IQON Financial Inc., a 400-advisor mutual fund dealer based in Winnipeg, and was Legal Counsel - Compliance with Assante Asset Management Ltd. from 2000 to 2002. Mr. Campbell has a law degree from the University of Manitoba and his firm, Canadian Compliance & Regulatory Law, is an affiliate member of the Portfolio Management Association of Canada.

## **Terms of Management Agreement**

Under the management agreement dated April 14, 2009 and most recently amended on May 25, 2020 between the Manager and the Funds (the "Management Agreement"), Pender is appointed as the Manager of the Funds. As Manager, Pender is responsible for directing the affairs and managing the business of the Funds, administering or arranging for the administration of the day-to-day operations of the Funds, including investment decisions, execution of investment orders, sales of units, maintaining records, fund reporting, voting of portfolio

securities and custodial arrangements. The Management Agreement also sets forth the fees payable to the Manager as described in this annual information form.

The Manager's appointment continues indefinitely but may be terminated by us or the Funds upon giving 60 days' prior notice or such shorter notice as the Manager and the Funds may agree. The Management Agreement may also be terminated by either the Funds or the Manager upon giving notice in writing to the other party if the other party ceases to carry on business, becomes bankrupt or insolvent, or resolves to wind-up or liquidate or if a receiver of any of its assets is appointed or if the other party commits a material breach of the Management Agreement and such breach is not remedied within 30 days of receipt of notice of such breach.

#### **Portfolio Management - PenderFund Capital Management Ltd.**

The Manager is also the portfolio advisor of the Funds. The following table sets forth information in respect of the persons employed by the Manager who are principally responsible for day-to-day management of the Funds.

<b>Name</b>	<b>Position</b>	<b>Length of Service</b>	<b>Business Experience</b>
DAVID BARR, CFA North Vancouver, BC	President, Chief Executive Officer, Director, Ultimate Designated Person	Since May 2003	President and Chief Executive Officer of the Manager since April 2016; Chief Executive Officer of Pender Growth Fund Inc. since November 2006; Director of the Manager since December 2007; Co-Chief Investment Officer of the Manager from April 2016 to April 2017; and Chief Investment Officer of the Manager from April 2009 to April 2016.
FELIX NARHI, CFA North Vancouver, BC	Chief Investment Officer, Director	Since July 2013	Chief Investment Officer of the Manager since April 2017; Director of the Manager since October 2017; Portfolio Manager of the Manager since August 2013; and Co-Chief Investment Officer of the Manager from April 2016 to April 2017.
GEOFF CASTLE North Vancouver, BC	Portfolio Manager	Since August 2015	Portfolio Manager of the Manager since August 2015; Director of Finance, Semiosbio Technologies Inc., October 2014 to July 2015; Manager, Group Investments of Kestrel Holdings Ltd. from 2011 to 2014.
DON WALKER, CFA North Vancouver, BC	Portfolio Manager	Since November 2019	Portfolio Manager of the Manager since November 2019; Portfolio Manager with Cumberland Investment Counsel Inc. from August 2018 to September 2018; and Portfolio Manager of NCM Asset Management Ltd., (formerly Norrep Capital Management Ltd and Hesperian Capital Management Ltd.) from May 2010 to August 2018.
AMAR PANDYA, CFA Vancouver, BC	Portfolio Manager	Since October 2017	Portfolio Manager of the Manager since May 2020; Associate Portfolio Manager and Senior Investment Analyst of the Manager from October 2017 to May 2020; Associate Portfolio Manager, Tetrem Capital Management Ltd. from January to September 2017; and Investment Analyst, Tetrem Capital Management Ltd. from 2015 to 2017.

These individuals are tasked with responsibilities including making investment decisions, executing investment orders, assisting with sales efforts, record keeping in respect of portfolio transactions and voting of portfolio securities, in accordance with the investment objectives and strategies of each Fund.



## **Independent Review Committee**

The Independent Review Committee of the Funds is responsible for oversight of the Manager with respect to conflict of interest matters. See “*Fund Governance*”.

## **Brokerage Arrangements**

The portfolio advisor of each Fund also makes decisions regarding the execution of portfolio transactions with respect to the cash and cash equivalent portions of the Funds, including, when applicable, the selection of markets and brokers and the negotiation of commissions. If and when effecting such portfolio transactions, the portfolio advisors place brokerage business with investment dealers and brokers on the basis of the best price and service. To the extent that the execution offered by more than one dealer or broker is comparable, the portfolio advisor may, in its discretion, determine to effect transactions with the dealers and brokers who provide research, statistical and other similar services to the Fund or to the portfolio advisor at transaction prices that reflect those services.

None of the Funds have agreements or arrangements in place with any dealer for the portfolio transactions regarding the Funds; however, the portfolio advisor for the Funds may, from time to time, receive research that it uses in connection with its management of the Funds. This research may or may not be used in connection with the management of the Funds, and is not a factor used in determining the dealers through whom it will place portfolio transactions for the Funds. The portfolio advisor for the Funds reviews each trade for the Funds to determine, among other things, whether the Funds received reasonable benefit considering the applicable research, if any is received, and the amount of brokerage commissions paid.

## **Trustee**

Pender, the Trustee of the Funds, is located at 1830 – 1066 West Hastings St. Vancouver, BC V6E 3X2. The Funds are governed by the Trust Agreement dated May 25, 2020, which sets forth the terms governing the creation, operation, management and administration of the Funds, including the powers and duties of the Trustee, the attributes of the units of the Funds, procedures for purchase, exchange and redemption of units, recordkeeping, calculation of the Funds’ income and other administrative procedures. The Trustee may be removed by the Manager at any time by giving notice to the Trustee not less than 45 days prior to the date that such removal is to take effect. The Trustee may resign by giving notice to the Manager not less than 45 days prior to the date that such resignation is to take effect. The Manager must appoint a new trustee to take office when the removal or resignation becomes effective, failing which a Fund will terminate.

## **Promoter**

Pender is the promoter of the Funds.

## **Custodian**

The custodian of the assets of the Funds is CIBC Mellon Trust Company of 1 York Street, Suite 900, Toronto, ON M5H 0B6. The custodian shall not be responsible for holding or control of any assets of the Funds that are not directly held by the custodian or its appointed sub-custodians, including any assets loaned or pledged to a counterparty.

## **Registrar**

The registrar of the Funds is CIBC Mellon Trust Company of 1 York Street, Suite 900, Toronto, ON M5H 0B6. The registrar keeps a record of the owners of units of each Fund in Toronto, ON.

## Auditor

The auditor of the Funds is KPMG LLP of 777 Dunsmuir St., P.O. Box 10426, Vancouver, BC V7Y 1K3. KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

Under applicable securities laws, the auditor of the Funds may be changed without the approval of Unitholders provided that the Independent Review Committee of the Funds has approved the proposed change and we provide you with at least 60 days' notice of the proposed change.

## Securities Lending Agent

The securities lending agent of the Funds is CIBC Mellon Trust Company of 1 York Street, Suite 900, Toronto, ON M5H 0B6. The securities lending agreement appoints the securities lending agent to act as agent for securities lending transaction of the Funds that engage in securities lending and to execute securities lending agreements with borrowers on behalf of the Funds in accordance with NI 81-102.

## Conflicts of Interest

### Principal Holders of Securities

The following table sets out the persons or companies who, as at May 31, 2020, are owners on record of or who to the knowledge of Pender own beneficially, directly or indirectly, more than 10% of the class' outstanding units of a Fund.

Name of Fund	Class	Name of Unitholder (Note 1)	Type of Ownership	Number of Units	% of Class' Outstanding Units
Pender Bond Universe Fund	Class A	Individual Investor 1	Direct	51,535	11%
	Class A	Individual Investor 2	Direct	50,237	11%
	Class A	Company Investor 1	Beneficial	214,776	46%
	Class D	Kelly Edmison	Direct	505	100%
	Class E	Kelly Edmison	Direct	11,607	46%
	Class E	Linda Robins	Direct	10,104	40%
	Class H	Kelly Edmison	Direct	505	100%
	Class I	Kelly Edmison	Direct	505	100%
	Class N	Kelly Edmison	Direct	505	100%
	Class O	Pender Partners Fund	Beneficial	81,856	99%
Pender Corporate Bond Fund	Class E	Kelly Edmison	Direct	60,262	16%
	Class E	Kelly Edmison	Direct	53,320	14%
	Class E	Individual Investor 3	Direct	65,470	17%
	Class E	Individual Investor 4	Direct	135,034	36%
	Class H (US\$)	Individual Investor 5	Direct	57,854	12%
	Class N	Individual Investor 6	Direct	240,596	26%
	Class N (US\$)	Individual Investor 7	Direct	201,166	81%
	Class O	Company Investor 2	Beneficial	455,956	15%
	Class O	Pender Strategic Growth & Income Fund	Beneficial	446,121	15%
Class O	Pender Enhanced Income Fund	Beneficial	1,654,378	55%	

Name of Fund	Class	Name of Unitholder (Note 1)	Type of Ownership	Number of Units	% of Class' Outstanding Units
	Class O	Pender Bond Universe Fund	Beneficial	357,829	12%
	Class U	Individual Investor 8	Direct	3,081	100%
Pender Enhanced Income Fund	Class A	Individual Investor 9	Direct	510	100%
	Class E	Individual Investor 10	Direct	510	100%
	Class F	Individual Investor 11	Direct	1,920	17%
	Class F	Individual Investor 12	Direct	2,119	19%
	Class F	Individual Investor 13	Direct	2,225	20%
	Class F	Individual Investor 14	Direct	1,992	18%
	Class F	Individual Investor 15	Direct	2,396	21%
	Class F	Individual Investor 16	Direct	494,899	10%
	Class I	Individual Investor 17	Direct	510	100%
	Class N	Individual Investor 18	Direct	510	100%
	Class O	Individual Investor 19	Direct	510	100%
Pender Small Cap Opportunities Fund	Class E	Kelly Edmison	Direct	20,813	12%
	Class F	Company Investor 3	Beneficial	892,569	32%
	Class I	Company Investor 4	Beneficial	136,283	11%
	Class I	Company Investor 5	Beneficial	229,209	19%
	Class I	Company Investor 6	Beneficial	126,906	11%
	Class O	Company Investor 7	Beneficial	266,630	66%
	Class O	Pender Enhanced Income Fund	Beneficial	105,645	26%
Pender Small/Mid Cap Dividend Fund	Class A	Individual Investor 20	Direct	2,999	12%
	Class A	Company Investor 8	Beneficial	15,083	59%
	Class A	Individual Investor 21	Direct	3,519	14%
	Class D	Individual Investor 22	Direct	3,362	18%
	Class D	Individual Investor 23	Direct	2,119	11%
	Class D	Individual Investor 24	Direct	2,825	15%
	Class D	Individual Investor 25	Direct	8,903	47%
	Class E	Individual Investor 26	Direct	61,207	53%
	Class E	Arbutus Family Holdings Ltd.	Beneficial	20,106	17%
	Class H	Individual Investor 27	Direct	14,994	25%
	Class H	Individual Investor 28	Direct	14,994	25%
	Class I	Company Investor 9	Beneficial	7,631	14%
	Class I	Individual Investor 29	Direct	6,821	13%
	Class I	Company Investor 10	Beneficial	5,450	10%
	Class N	Kelly Edmison	Direct	502	100%
Class O	Pender Partners Fund	Beneficial	48,292	81%	
Pender Strategic Growth and Income Fund	Class D	Individual Investor 30	Direct	495	23%
	Class D	Company Investor 11	Beneficial	510	24%
	Class D	Individual Investor 31	Direct	588	27%
	Class D	Individual Investor 32	Direct	551	26%

Name of Fund	Class	Name of Unitholder (Note 1)	Type of Ownership	Number of Units	% of Class' Outstanding Units
	Class E	Gina Jones	Direct	932	11%
	Class E	Individual Investor 33	Direct	2,380	27%
	Class E	Individual Investor 34	Direct	1,224	14%
	Class E	Kelly Edmison	Direct	3,619	42%
	Class H	Individual Investor 35	Direct	12,089	12%
	Class H	Individual Investor 36	Direct	13,506	14%
	Class H	Individual Investor 37	Direct	21,046	21%
	Class H	Individual Investor 38	Direct	15,194	15%
	Class H	Individual Investor 39	Direct	13,931	14%
	Class H	Individual Investor 40	Direct	12,923	13%
	Class H	Individual Investor 41	Direct	11,237	11%
	Class I	Carolyn Treichel	Direct	16,581	18%
	Class I	Individual Investor 42	Direct	14,136	15%
	Class I	Individual Investor 43	Direct	14,528	16%
	Class I	Individual Investor 44	Direct	16,113	17%
	Class I	Individual Investor 45	Direct	10,941	12%
	Class I	Individual Investor 46	Direct	11,977	13%
	Class O	Kelly Edmison	Direct	620	100%
	Pender US All Cap Equity Fund	Class A (US\$)	Individual Investor 47	Direct	2,070
Class A (US\$)		Individual Investor 48	Direct	1,902	10%
Class A (US\$)		Individual Investor 49	Direct	2,171	12%
Class A (US\$)		Individual Investor 50	Direct	5,644	30%
Class A (US\$)		Individual Investor 51	Direct	1,990	11%
Class D		David Barr	Direct	1,562	32%
Class D		Individual Investor 52	Direct	1,577	33%
Class D		Individual Investor 53	Direct	533	11%
Class D		Individual Investor 54	Direct	563	12%
Class D		Individual Investor 55	Direct	589	12%
Class E		Felix Narhi	Direct	77,491	79%
Class F		Company Investor 12	Beneficial	168,314	52%
Class F (US\$)		Individual Investor 56	Direct	1,179	100%
Class H		Individual Investor 57	Direct	12,622	52%
Class H		Individual Investor 58	Direct	11,446	48%
Class I		Individual Investor 59	Direct	500	100%
Class N		Felix Narhi	Direct	500	100%
Class N (US\$)		Felix Narhi	Direct	501	100%
Class O		Company Investor 13	Beneficial	395,405	100%
Pender Value Fund	Class E	Kelly Edmison	Direct	9,664	14%
	Class H	Individual Investor 60	Direct	82,396	11%
	Class H	Company Investor 14	Beneficial	143,451	19%

Name of Fund	Class	Name of Unitholder (Note 1)	Type of Ownership	Number of Units	% of Class' Outstanding Units
	Class N	Individual Investor 61	Direct	516	100%
	Class O	Company Investor 15	Beneficial	428,480	45%
	Class O	Company Investor 16	Beneficial	209,338	22%
	Class O	Company Investor 17	Beneficial	219,397	23%
Pender Value Fund II	Class A1	Individual Investor 62	Direct	1,527	12%
	Class A1	Individual Investor 63	Direct	6,066	49%
	Class A1	Individual Investor 64	Direct	1,971	16%
	Class E	Individual Investor 65	Direct	500	100%
	Class I	Company Investor 18	Beneficial	29,523	14%
	Class I	Individual Investor 66	Direct	46,360	21%
	Class I	Individual Investor 67	Direct	26,964	12%
	Class O	Company Investor 19	Beneficial	107,589	100%

Note 1: Due to privacy reasons, the names of the unitholders have been omitted and the information is available on request by contacting the Manager at 1-866-377-4743 or [info@penderfund.com](mailto:info@penderfund.com).

As at June 12, 2020 Pender Strategic Investment Fund has 7,500 units of Class A and 7,500 units of Class F held by PenderFund Capital Management Ltd. (100% of each of the Class' Outstanding Units). The Manager holds 100% of the Fund's units.

The following table sets out the persons or companies who, as at May 31, 2020, are owners of record of or who own beneficially, directly or indirectly, more than 10% of any class or series of voting securities of the Manager:

Name	Type of Shares	Type of Ownership	Number of Shares	% of Outstanding Shares
Arbutus Family Holdings Ltd <sup>1</sup>	Common	Beneficial	541,400	18%
Garibaldi Ventures Partners Ltd <sup>2</sup>	Common	Beneficial	1,122,600	37%
408198 BC Ltd <sup>3</sup>	Common	Beneficial	541,400	18%
Felix Narhi	Common	Direct	391,662	13%

Note 1: Arbutus Family Holdings Ltd is 100% owned by Kelly Edmison.

Note 2: Garibaldi Ventures Partners Ltd is 100% owned by David Barr.

Note 3: 408198 BC Ltd is 100% owned by William Rand.

Donald Campbell, a director of the Manager, is the principal of the firm Canadian Compliance & Regulatory Law, which provides ongoing regulatory advice to the Manager. Arbutus Family Holdings Ltd., which is 100% owned by Kelly Edmison, is a company that provides consulting services to the Manager.

In addition to the above, as of May 31, 2020 the directors and officers of the Manager collectively held (a) 11% of Pender Small/Mid Cap Dividend Fund's units and less than 10% of each of the other Funds' units; (b) 68% of the outstanding securities of the Manager; and (c) less than 1% of the voting or equity securities of any company, aside from those mentioned above, that provides services to the Funds or the Manager.

As of May 31, 2020, the members of the Independent Review Committee of the Funds collectively held: (a) less than 1% of each Funds' units; (b) no voting or equity securities of the Manager; and (c) less than 1% of the voting or equity securities of any company that provides services to the Funds or the Manager.

## **Conflict of Interest between the Funds and the Manager**

The Manager currently provides management services to other investment funds and the services of the Manager are not exclusive to the Funds. The Manager may provide similar services to other parties, including venture capital funds, mutual funds or investment funds (collectively, "Investment Funds") engaged in a similar business to that of the Funds.

The Manager has adopted the following policy with respect to the allocation of investments between Investment Funds that it manages. In the event that securities are purchased for the accounts of more than one Investment Fund and an insufficient number of securities are available to satisfy the purchase order, the securities available will be allocated to the extent possible pro rata to the size of the Investment Funds' accounts. There may be occasions, however, where strict application of this rule does not lead to a fair and reasonable allocation. In such circumstances, allocation by a method other than this rule will be permitted where such allocation produces a fairer and more reasonable result.

Notwithstanding the above allocation policy, the Manager will not allocate an investment to an Investment Fund if: (a) the pro rata allocation gives an unreasonable result based on the Investment Fund's cash position, the desired weight of the security in the Investment Fund, the mandate of the Investment Fund, the effect on risk and liquidity, and the general composition of the respective Investment Fund; and (b) the allocation is unreasonable when measured against a particular Investment Fund's asset size and target weighting for the security in question.

As part of their respective investment strategies, the Funds may invest in units of other mutual funds also managed by Pender.

The Funds are of the view that the other activities of Pender will not be considered to be a conflict of interest or breach of fiduciary duty with respect to the management of the Funds provided that Pender does not contravene the investment objectives or restrictions set out in the Trust Agreement and provided that the Funds' portfolio advisors fulfill their duties of care set out in their respective agreements. Matters giving rise to a conflict of interest involving the Funds and the Manager are the responsibility of the Independent Review Committee. See "*Fund Governance*" section.

## **Fund Governance**

### **Codes of Ethics**

The Manager has responsibility for governance of the Fund. The Manager has adopted the personal trading code for mutual fund managers prescribed by the Investment Fund Institute of Canada, which governs internal conflicts of interest and business practices. The Manager has also adopted a Code of Ethics which is substantially the same as the CFA Institute Code of Ethics and Standards of Professional Conduct.

### **Risk Management**

Various measures to assess risk are used, including mark-to-market security valuation, fair value accounting, monthly reconciliations of security and weekly reconciliations of cash positions. Compliance monitoring of the Funds' portfolios is ongoing. Each Fund is priced on a daily or weekly basis, as the case may be, which ensures that performance accurately reflects market movements.

### **Fund Governance over Portfolio Advisors**

The portfolio advisors provide investment analysis, make decisions relating to the investment of each Fund's assets and supervise each Fund's investment portfolios on a continuous basis. The portfolio advisors have complete discretion to purchase and sell securities for a Fund's portfolio within the Fund's investment objectives, policies and restrictions. The portfolio advisor has in place its own investment procedures and controls governing its investment activities, including the use of derivatives and securities lending. Pender is currently the portfolio advisor of each Fund.

## **Derivatives Trading**

Depending on the investment strategies of each Fund, they may use derivatives, directly or indirectly. Even if the Funds do not directly engage in derivatives, they may, as part of their investment strategy, invest in units of mutual funds that may engage in derivatives as part of their strategies. Derivatives will be used in compliance with all applicable securities legislation and regulation and as disclosed in the Simplified Prospectus.

Oversight of derivatives trading is undertaken by the Manager. The written policies and procedures relating to the use of these derivatives are developed with the custodian of the Funds and are reviewed annually by the Manager.

Derivatives transactions on behalf of the Funds may be initiated only by the portfolio advisor responsible for the Funds' investments. The portfolio advisor ensures that the individuals who make decisions with respect to derivatives transactions have the necessary proficiency and experience to use derivatives. As in the case of other portfolio transactions, all derivatives transactions made on behalf of the Funds must be recorded on a timely basis and promptly reflected in the Funds' portfolio management records. Derivative positions are monitored to ensure compliance with all regulatory requirements, including cash cover requirements.

## **Securities Lending Arrangements**

The Manager has entered into a securities lending agreement with CIBC Mellon Global Securities Services Company, CIBC Mellon Trust Company, Canadian Imperial Bank of Commerce and The Bank of New York Mellon in order to engage in securities lending transactions to earn additional income for the Funds. The Funds may enter into additional agreements in the future only as permitted under securities law.

The risks associated with these transactions will be managed by requiring that the Funds enter into such transactions with well-established Canadian and foreign brokers, dealers and institutions. Each day, the Funds will determine the market value of the securities loaned under a securities lending transaction and the cash or collateral held for such transaction. If on any day the market value of the cash or collateral is less than 102% of the market value of the security loaned, on the next day the counterparty will be required to provide additional cash or collateral to the Funds to make up the shortfall. A Fund cannot lend more than 50% of the total value of its assets through securities lending.

Pender will review at least annually the policies and procedures described above to ensure that the risks associated with securities lending are being properly managed.

## **Short Selling Risk Management**

The Funds may engage in short selling as part of their investment strategies. Even if they do not directly engage in short selling, they may as part of their investment strategy, invest in units of mutual funds that may engage in short selling as part of their strategies. The Funds will engage in short selling in compliance with all applicable securities legislation and regulations and as disclosed in the Simplified Prospectus. Short selling will be used by the Funds only as a complement to each Fund's current primary discipline of buying securities with the expectation that they will appreciate in market value.

Short selling involves borrowing securities from a lender that are then sold in the open market (or "sold short"). At a later date, the same number of securities are repurchased by the Funds and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the Funds pay interest to the lender. If the value of the securities declines between the time that the Funds borrow the securities and the time the Funds repurchase and return the securities, the Funds make a profit for the difference (less any interest the Funds are required to pay to the lender). In this way, the Funds have more opportunities for gains when markets are generally volatile or declining.

The Funds will engage in short selling only within certain controls and limitations. Securities will be sold short only for cash and the Funds will receive the cash proceeds within normal trading settlement periods for the

market in which the short sale is made. All short sales will be effected only through market facilities through which those securities are normally bought and sold.

The Funds may short sell equity securities, index participation units, corporate debentures, corporate bonds, government bonds and other fixed and floating-rate income securities that are traded in a liquid market. If the security sold short is an equity security, the security must be listed for trading on a stock exchange and the issuer of the security must have a market capitalization of not less than \$100 million at the time the short sale is made.

At the time securities of a particular issuer are sold short by a Fund, the aggregate market value of all securities of that issuer sold short will not exceed 5% of the net assets of the Fund. The aggregate market value of all securities sold short by a Fund may not exceed 20% of the Fund's net assets.

The Funds may deposit assets with lenders in accordance with industry practice in relation to their obligations arising under short sale transactions. The Funds will also hold cash cover (as defined in NI 81-102) in an amount, including the Funds' assets deposited with lenders, that is at least 150% of the aggregate market value of all securities it sold short on a daily marked-to-market basis. No proceeds from short sales will be used by the Funds to purchase long positions other than cash cover.

Where a short sale is effected in Canada, every dealer that holds the Funds' assets as security in connection with a short sale must be a registered dealer and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund. Where a short sale is effected outside of Canada, every dealer that holds the Funds' assets as security in connection with a short sale must be a member of a stock exchange (and, as a result, be subject to regulatory audits) and have a net worth in excess of the equivalent of \$50 million determined from its most recent audited financial statements. The aggregate assets deposited by the Funds with any single dealer as security in connection with short sales will not exceed 10% of each Fund's total net assets, taken at market value as at the time of the deposit.

The portfolio advisor of each Fund must maintain appropriate internal controls regarding its short sales, including written policies and procedures, risk management controls and proper books and records. Any short sale by the Funds is subject to compliance with the investment objectives of each Fund. The portfolio advisor will review open short positions not less than once every week. The Manager is responsible for setting and reviewing such policies and procedures annually. The Trustee has delegated responsibility for setting and reviewing such procedures to the Manager and is not involved in the risk management process.

## **Proxy Voting Disclosure**

The Manager has established a proxy voting policy and guidelines (the "Guidelines") that have been designed to provide general guidance, in compliance with the applicable legislation, for the voting of proxies and for the creation of the portfolio advisor's own proxy voting policies for each Fund. The Guidelines set out the voting procedures to be followed in voting routine and non-routine matters, together with general guidelines suggesting a process to be followed in determining how and whether to vote proxies. Although the Guidelines allow for the creation of a standing policy for voting on certain routine matters, each routine and non-routine matter must be assessed on a case-by-case basis to determine whether the applicable standing policy or general Guidelines should be followed. The Guidelines also address situations in which the portfolio advisor may not be able to vote, or where the costs of voting outweigh the benefits.

Pender is required to develop its own respective voting guidelines and keep adequate records of all matters voted or not voted. A copy of the Guidelines is available upon request, at no cost, by calling the Manager toll-free at **1-866-377-4743** or by writing to Pender at 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2.

## **Proxy Voting Record**

Each Fund will prepare a proxy voting record on an annual basis for the period ending on June 30<sup>th</sup> of each year that will be available free of charge to any Unitholder upon request at any time after August 31<sup>st</sup> of that year. The proxy voting record will be available on **www.penderfund.com** no later than August 31<sup>st</sup> of each year.



## Short-Term Trading

The interests of Unitholders and the ability of the Funds to manage their investments may be adversely affected by inappropriate or excessive short-term trading because, among other things, these types of trading activities can dilute the value of the Funds' securities, can interfere with the efficient management of the Funds' portfolios and can result in increased brokerage and administrative costs. The Funds have no written policies or procedures for monitoring, detection or deterrence of short-term trades of mutual fund securities by investors, except in relation to requests for redemptions.

If you redeem units of a Fund within 30 days of buying them, we may, at the discretion of the Manager, reduce the amount otherwise payable to you on the redemption by imposing a short-term trading fee of up to 2% of the net asset value of the units redeemed. The fee will be retained by the Fund. We may also restrict purchases if you engage in such short-term trading.

## Independent Review Committee

In accordance with *National Instrument 81-107 Independent Review Committee for Investment Funds* ("NI 81-107"), the Manager, on behalf of the Funds, has established an Independent Review Committee to provide impartial judgment on conflicts of interest between the Manager and the Funds. The Independent Review Committee is responsible for overseeing the Manager's decisions in any situation where it is faced with any actual or perceived conflict of interest, including "business" or "operational" conflicts.

The Independent Review Committee will prepare, at least annually, a report of its activities for Unitholders which will be available on our website at [www.penderfund.com](http://www.penderfund.com) or, at your request, and at no cost to you, by calling toll-free at **1-866-377-4743**. Currently, the Independent Review Committee is comprised of Kerry Ho (Chair), John Webster, and Robin Mahood. Each member of the Independent Review Committee receives an annual retainer plus a fixed fee and expenses for each meeting of the Independent Review Committee that the member attends. For the year ended December 31, 2019, the Chair of the Independent Review Committee was paid a total of \$14,500. In addition, Mr. Webster and Mr. Mahood were each paid \$11,000.

NI 81-107 requires the Manager to have policies and procedures relating to conflicts of interest. The Manager has established written policies and procedures for the Manager to follow in making decisions involving an actual or perceived conflict of interest and will refer such matters to the Independent Review Committee for review in accordance with NI 81-107.

## Fees and Expenses

### Management Fees

The management fees paid by the Funds to the Manager vary by class. The management fees are calculated daily or weekly, as the case may be, and payable monthly in the following table (exclusive of GST/HST). Management fees for Class E and Class O units are negotiated between the Unitholder and the Manager and paid outside of the Funds.

Fund	Class A / Class A (US\$) / Class A1	Class B	Class D	Class F / Class F (US\$) / Class F1	Class G	Class H / Class H (US\$)	Class I / Class I (US\$)	Class N / Class N (US\$)	Class U
Pender Bond Universe Fund	0.95%	-	0.45%	0.45%	-	0.65%	0.40%	0.25%	-
Pender Corporate Bond Fund	1.45%	-	0.65%	0.65%	-	1.15%	0.50%	0.25%	0.65%

Fund	Class A / Class A (US\$) / Class A1	Class B	Class D	Class F / Class F (US\$) / Class F1	Class G	Class H / Class H (US\$)	Class I / Class I (US\$)	Class N / Class N (US\$)	Class U
Pender Enhanced Income Fund	1.75%	-	-	0.75%	-	-	0.60%	0.35%	-
Pender Small Cap Opportunities Fund	2.00%	2.00%	-	1.00%	1.00%	-	0.85%	0.50%	-
Pender Small/Mid Cap Dividend Fund	2.00%	-	1.00%	1.00%	-	1.70%	0.85%	0.50%	-
Pender Strategic Growth and Income Fund	1.75%	-	0.75%	0.75%	-	1.45%	0.60%	-	-
Pender Strategic Investment Fund	2.00%	-	-	1.00%	-	-	-	-	-
Pender US All Cap Equity Fund	1.85%	-	0.85%	0.85%	-	1.55%	0.70%	0.35%	-
Pender Value Fund	1.90%	-	0.90%	0.90%	-	1.60%	0.75%	0.35%	-
Pender Value Fund II	1.90%	-	-	0.90%	-	-	0.75%	0.35%	-

## Operating Expenses

Each unit class will be charged an administration fee equal to 0.50% of its net asset value. For Class O, this fee is separately negotiated and charged directly to the Unitholders. In exchange for the fee, the Manager will pay for the operating costs of each Fund (including administrative and operating expenses, registrar and transfer agency fees, custody fees, Unitholder servicing costs, costs of prospectuses and reports, regulatory fees and audit and legal fees) other than taxes, brokerage commissions, transaction costs and Independent Review Committee fees.

The Manager may reimburse each Fund for the Independent Review Committee fees. The Chair of the Independent Review Committee receives an annual retainer of \$10,000 and a fee of \$1,500 for each meeting the Chair attends. With the exception of the Chair, each member of the Independent Review Committee receives an annual retainer of \$8,000 and a fee of \$1,000 for each meeting that the member attends. Effective July 1, 2020, the Chair of the Independent Review Committee will receive an annual retainer of \$15,000 and a fee of \$1,500 for each meeting the Chair attends. Additionally, with the exception of the Chair, each member of the Independent Review Committee receives an annual retainer of \$10,000 and a fee of \$1,000 for each meeting that the member attends. The members of the Independent Review Committee are also reimbursed for certain out-of-pocket costs associated with the performance of their duties. Administration fees are subject to applicable taxes such as GST or HST. The Manager, at its discretion, may reduce or waive administration fees.

## Performance Fees

A performance fee applies to Class B and Class G of the Pender Small Cap Opportunities Fund. The Pender Small Cap Opportunities Fund will pay to the Manager a performance fee in relation to Class B and Class G units that is equal to 20% of the amount by which the total return of the class of units exceeds the total percentage increase or decrease of the Fund's benchmark, for the period since the performance fee was last paid, subject

to a relative high water mark (as described below). The Fund's benchmark is the S&P/TSX Composite Index (or its successor indices, as applicable).

The benchmark was selected because we believe that it best reflects the investment objective of the Pender Small Cap Opportunities Fund and provides for the fairest measurement possible. Performance fees will be calculated and accrued weekly, and such accrued fees will be paid by the Fund at the end of each year. The Manager has reserved the right to change the period for which any performance fee may be paid by a Fund. Performance fees are subject to applicable taxes, including GST or HST. The Manager, at its discretion, may reduce or waive performance fees.

The high water mark is the net asset value of the applicable class of units to which it applies as at the most recent determination date on which a performance fee was payable. The high water mark was initially set at \$10, on inception of the applicable class of units to which it applies.

## Fee Distributions

From time to time the Manager may offer a reduced management fee or performance fee to select investors. The Manager negotiates a separate agreement with each investor that sets out the basis (such as size of holdings or competitive rates charged in the industry) on which the fee reduction is calculated. The fees for these select investors are the same as for other Unitholders in the same unit class, but these investors receive a distribution (a "Fee Distribution") equal to the amount of the fee reduction. Fee Distributions are reinvested in additional units on behalf of those select investors unless otherwise negotiated.

## Income Tax Considerations for Investors

**This section provides a general summary of the federal income tax considerations applicable to the Funds and to an investor who is an individual (other than a trust), is resident in Canada, deals at arm's length with the Funds, and holds units as capital property. This summary is not exhaustive of all tax considerations and is not intended to be legal advice or tax advice. We have tried to make this discussion easy to understand. As a result, we cannot be technically precise, or cover all the tax consequences that may apply. You should consult your own tax advisor about your personal circumstances when you consider purchasing, switching or redeeming securities of a Fund.**

The summary is based on the current provisions of the *Income Tax Act* (Canada) (the "Tax Act"), regulations under the Tax Act, the proposals for specific amendments to the Tax Act, the regulations that have been publicly announced by the Minister of Finance (Canada) before the date hereof and our understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency (CRA). Except for the foregoing, this summary does not take into account or anticipate any change in law, whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account provincial, territorial, or foreign income tax legislation or considerations.

This summary assumes that you are an individual resident in Canada and that you hold units of a Fund as capital property for the purposes of the Tax Act. This summary also assumes that each of the Funds is expected to qualify, and will continue to be, at all material times, a mutual fund trust for the purposes of the Tax Act. This summary also assumes that none of the Funds is or will become a specified investment flow-through trust ("SIFT trust"). Investors should seek independent advice regarding the tax consequences of investing in units, based on the investors' own particular circumstances.

## Taxation of the Funds

Each of the Funds is expected to qualify, and will continue to be, at all material times, a "mutual fund trust" under the Tax Act and intends to maintain such status. None of the Funds is a SIFT trust for purposes of the Tax Act. This summary is based on the assumption that each of the Funds will qualify as a mutual fund trust under the Tax Act at all material times. If a Fund were not to so qualify, the income tax consequences would differ materially from those described below.

If a Fund ceases to be a mutual fund trust for purposes of the Tax Act, the Fund may be subject to different tax consequences than described below including being subject to Part XII.2 tax, alternative minimum tax and penalty tax if it holds any investments that are not qualified investments for Registered Retirement Savings Plans (RRSP), Registered Retirement Income Funds (RRIF), Deferred Profit Sharing Plans (DPSP), Registered Disability Savings Plans (RDSP), Registered Education Saving Plans (RESP) and Tax Free Savings Accounts (TFSA) ("Registered Plans"). Investors should seek independent advice regarding the tax consequences of investing in units, based on the investors' own particular circumstances.

All of a Fund's deductible expenses, including expenses common to all classes of the Fund and management fees and other expenses specific to a particular class of the Fund, will be taken into account in determining the income or loss of the Fund as a whole.

## **For Units Not Held in a Registered Plan**

If you hold units of a Fund outside of a Registered Plan, you will be required to include in computing your income for tax purposes the amount (computed in Canadian dollars) of the Fund's net income and the taxable portion of the net capital gains paid or payable to you by the Fund in the year (including by way of Fee Distributions), whether you receive these distributions in cash or they are reinvested in additional units. Provided the appropriate designations are made by the Fund, distributions of net taxable capital gains and taxable dividends (including eligible dividends) on shares of taxable Canadian corporations held by the Fund will effectively retain their character and be treated as such in your hands. Taxable dividends received from Canadian corporations are subject to a gross-up and credit regime the effect of which is to make them subject to lower tax rates than ordinary income. Taxable dividends that are eligible dividends are subject to an enhanced regime and thus lower tax rates. Generally, gains from cash settled derivative transactions entered into for non-hedging purposes will be treated as ordinary income rather than capital gains.

To the extent that the distributions (including by way of Fee Distributions) paid to you by a Fund in any year exceed your share of the net income and net realized capital gains of the Fund allocated to you for that year, those distributions (except to the extent that they are proceeds of disposition) will be a return of capital and will not be taxable to you but will reduce the adjusted cost base of your units of the Fund.

You will be taxed on distributions of income and capital gains from a Fund, even if the income and capital gains accrued to the Fund or were realized by the Fund before you acquired the units and were reflected in the purchase price of the units. In many cases, the most significant distributions of income and capital gains of a Fund occur in December. However, distributions (including Fee Distributions) can be made at any time in the year at the discretion of the Manager.

The Funds may invest in debt or shares of foreign corporations. Interest income and dividends paid to a Fund by a foreign corporation may be subject to a withholding tax payable to a foreign government. To the extent that the Fund so designates in accordance with the Tax Act, you will be deemed to have received income from the foreign country and, for the purpose of computing foreign tax credits, be deemed to have paid a portion of the taxes withheld as foreign taxes paid to that country. You will be required to include in your income the foreign source income gross of withholding taxes. Foreign source income is taxed as regular income for the purposes of the Tax Act. The Canadian tax payable by you on such foreign source income may be reduced by a foreign credit in respect of the foreign taxes deemed paid on that income. Capital gains on the sale of foreign securities will generally not be subject to withholding taxes.

As part of their investment strategy, the Funds may invest in US corporate bonds. Under the US – Canada tax treaty, interest paid on such bonds will not be subject to withholding taxes. Capital gains from the sale of US securities will also generally not be subject to withholding taxes while US earned dividends are subject to a 15% withholding tax.

The Funds may invest in units of mutual funds, income trusts and other trusts. Net income and taxable capital gains that are allocated to the Funds by these investments will be included in computing the net income and taxable capital gains of the Funds, which in turn will be allocated to Unitholders in the manner set out above.

If a Fund is subject to a “loss restriction event” as the result of a person becoming a “majority-interest beneficiary” or a group of persons becoming a “majority interest group of beneficiaries” of the Fund (as those terms are defined in the Tax Act) it will have a deemed year-end for tax purposes and may make a distribution of net taxable income and net capital gains for the shortened year. If it has net accrued or realized losses at that time, certain of its accrued and realized losses may be extinguished, which could adversely affect the tax treatment of a person holding or acquiring units.

If you dispose of a unit (including a switch of a unit of one Fund for a unit of another Pender Fund), whether by redemption or otherwise, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition, less any costs of disposition, are greater (or less) than the adjusted cost base to you of the unit. One-half of a capital gain (or a capital loss) is generally included in determining your taxable capital gain (or allowable capital loss). A change of units of a class of a Fund into units of a different class of the Fund is generally not considered to be a sale for tax purposes, so no capital gain or loss will result. To the extent a change in units results in a disposition of the original units then either a capital gain or a capital loss will be realized or suffered.

Effective December 16, 2020, if you redeem a unit of a Fund, the Fund may, to the maximum extent permitted by the Tax Act, allocate to you such amount of capital gains that result from the disposition of assets of the Fund undertaken to permit or facilitate such redemption of unit. In such cases, for the purposes of the Tax Act, the taxable portion (i.e., 50%) of such capital gains allocated to you by the Fund will be included in your income and the full amount of such capital gains will be excluded from your proceeds of disposition of the unit.

In general, the aggregate adjusted cost base of your units of a particular class of a Fund equals:

- your initial investment in the class (including any sales charges paid)
- **plus** the cost of any additional investments in the class (including any sales charges paid)
- **plus** the adjusted cost base of any units of other classes of the Fund that were changed into units of the particular class of the Fund
- **plus** reinvested distributions
- **minus** the capital returned in any distributions
- **minus** the adjusted cost base to you, at the time of any previous redemptions, of the units redeemed at that time
- **minus** the adjusted cost base to you, at the time any units of the particular class of the Fund were changed into units of other classes of the Fund, of the units so converted.

The adjusted cost base to you of a unit at a particular time will generally be the average adjusted cost base to you of all units of that class of that Fund at that time. If the adjusted cost base of your units is reduced to less than zero, you will be deemed to have realized a capital gain equal to, and the adjusted cost base to you of your units will be increased by, such negative amount.

For units of the Pender Corporate Bond Fund and the Pender US All Cap Equity Fund that are denominated in US dollars, the initial investment and the cost of any additional investments should be determined in Canadian dollars, based on the applicable exchange rate at the time the investment was made. Similarly, the proceeds of disposition of a unit of the Pender Corporate Bond Fund or Pender US All Cap Equity Fund that is denominated in US dollars should be determined in Canadian dollars based on the applicable exchange rate at the time of the disposition.

Under the alternative minimum tax provisions of the Tax Act, an individual may be required to pay a minimum tax computed by reference to the individual’s “adjusted taxable income” for that year. In computing adjusted taxable income, an individual must generally include all taxable dividends (without application of the gross-up and credit treatment normally applied to such dividends) and 80% of capital gains. Whether and to what extent

the tax liability of a Unitholder may be increased by the alternative minimum tax will depend on the amount of the Unitholder's income, the sources from which it is derived, and the nature and amount of any deductions claimed. Any additional tax payable by a Unitholder for a year which results from the application of the minimum tax provisions may generally be carried forward and applied by the Unitholder against his or her Part I tax otherwise payable in any of the seven immediately following taxation years.

We will generally issue a tax statement to you each year identifying the distributions made to you in the previous year. You should keep detailed records of the purchase costs, sales charges and distributions related to your units as this is the only way to accurately calculate the adjusted cost base of those units. Determination of adjusted cost base can involve complex issues and we recommend that you obtain legal and/or tax advice to assist you with those calculations.

## **For Units Held in a Registered Plan**

It is expected that each of the Funds will qualify as a "mutual fund trust" for purposes of the Tax Act and intends to remain so qualified. Accordingly, units of the Funds will be qualified investments under the Tax Act for Registered Plans. If units of a Fund are held in a Registered Plan, distributions from the Fund and capital gains from a disposition of the units will generally not be subject to tax under the Tax Act until withdrawals are made from the plan. Withdrawals from a TFSA are generally not subject to tax.

Notwithstanding that units of the Funds may, at a particular time, be qualified investments for a trust governed by a RRSP, RRIF, RDSP, TFSA or RESP, the annuitant of the RRSP or RRIF, holder of the RDSP or TFSA or subscriber of the RESP, as the case may be (such annuitant, holder or subscriber being a "Controlling Individual" of the RRSP, RRIF, RDSP, TFSA or RESP), will be subject to a penalty tax with respect to units held in the RRSP, RRIF, RDSP, TFSA or RESP if such units are "prohibited investments" for the RRSP, RRIF, RDSP, TFSA or RESP within the meaning of the Tax Act. Provided that the Controlling Individual of a RRSP, RRIF, RDSP, TFSA or RESP does not hold a "significant interest" (as defined in the Tax Act) in a Fund and provided that such holder deals at arm's length with the Fund for the purposes of the Tax Act, units of the Fund will not be "prohibited investments" for the RRSP, RRIF, RDSP, TFSA or RESP. In general terms, a Controlling Individual of RRSP, RRIF, RDSP, TFSA or RESP will have a significant interest in a Fund if the Controlling Individual, together with any other persons and partnerships with which the Controlling Individual does not deal at arm's length, hold, directly or indirectly through one or more trusts (including Registered Plans), 10% or more of the value of the outstanding units of the Fund. You should consult with your own tax advisor as to whether units of the Fund would be a prohibited investment if held in your RRSP, RRIF, RDSP, TFSA or RESP, having regard to your own particular circumstances.

## **Information Exchange**

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-U.S. Tax Convention entered into between Canada and the United States (the "IGA"), and related Canadian legislation, the Funds and the Manager are required to report certain information with respect to Unitholders who are U.S. tax residents and/or U.S. citizens (including U.S. citizens who are residents or citizens of Canada), and certain other "U.S. Persons" as defined under the IGA (excluding registered plans such as RRSPs), to the CRA. The CRA will then exchange the information with the U.S. Internal Revenue Service.

Pursuant to the implementation, under Part XIX of the Tax Act, of the Common Reporting Standard ("CRS") developed by the Organisation for Economic Co-operation and Development, the Funds and the Manager may be required to report certain information with respect to Unitholders who are tax residents in a jurisdiction other than Canada or the U.S., and certain other reportable persons, to the CRA. The CRA will then exchange this information with each CRS participating jurisdiction.

## Material Contracts

Set out below are particulars of the material contracts entered into by the Funds as of the date of this annual information form.

1. The Thirteenth (13<sup>th</sup>) Amended and Restated Trust Agreement dated May 25, 2020 between the Manager and the Trustee with respect to the governance of the Funds. See "*Formation and History of the Funds*" and "*Responsibility for Fund Operations*" for a description of the Trust Agreement.
2. The Management Agreement dated April 14, 2009 and most recently amended on May 25, 2020 between the Manager and the Funds, pursuant to which Pender agreed to act as the Manager of the Funds. See "*Responsibility for Fund Operations*" for a description of the Manager's responsibility.
3. The Custodial Services Agreement dated April 14, 2009 and most recently amended on June 22, 2020 among the Manager, CIBC Mellon Global Securities Services Company, CIBC Mellon Trust Company and Canadian Imperial Bank of Commerce, pursuant to which CIBC Mellon Trust Company was appointed custodian of the assets of the Funds. See "*Responsibility for Fund Operations*" for a description of the custodian's duties and responsibilities.

Copies of material contracts may be inspected at the head office of the Manager during ordinary business hours.

## Certificate of the Funds, Manager, Promoter and Trustee

June 25, 2020

This annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec, Saskatchewan, Northwest Territories, Nunavut, and Yukon and do not contain any misrepresentations.

### **PENDERFUND CAPITAL MANAGEMENT LTD.**

on behalf of the Funds, in its capacity as Manager, Promoter and Trustee of the Funds

*(signed) "David Barr"*

David Barr  
President and Chief Executive Officer

*(signed) "Gina Jones"*

Gina Jones  
Chief Financial Officer

### **ON BEHALF OF THE BOARD OF DIRECTORS OF PENDERFUND CAPITAL MANAGEMENT LTD.**

on behalf of the Funds, in its capacity as Manager, Promoter and Trustee of the Funds

*(signed) "Kelly Edmison"*

Kelly Edmison  
Director

*(signed) "Felix Narhi"*

Felix Narhi  
Director





**Pender Bond Universe Fund**  
**Pender Corporate Bond Fund**  
**Pender Enhanced Income Fund**  
**Pender Small Cap Opportunities Fund**  
**Pender Small/Mid Cap Dividend Fund**  
**Pender Strategic Growth and Income Fund**  
**Pender Strategic Investment Fund**  
**Pender US All Cap Equity Fund**  
**Pender Value Fund**  
**Pender Value Fund II**

**Managed by:**

**PenderFund Capital Management Ltd.**  
**1830 – 1066 West Hastings St.**  
**Vancouver, BC V6E 3X2**  
**1-866-377-4743**

#### **ADDITIONAL INFORMATION**

Additional information about the Funds is available in the Funds' Simplified Prospectus, fund facts, management reports of fund performance and financial statements. You can get a copy of these documents, at your request, and at no cost, by calling toll-free at **1-866-377-4743**, by emailing us at **info@penderfund.com**, or from your dealer. These documents and other information about the Funds, such as information circulars and material contracts, are also available on the Pender website at **www.penderfund.com** or at **www.sedar.com**.