

**SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

# Pender Bond Universe Fund

For the period ended June 30, 2020

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

This interim Management Report of Fund Performance contains financial highlights but does not contain either the interim financial statements or annual financial statements of the investment fund. You may obtain a copy of the interim financial statements or annual financial statements at your request, at no cost, by calling toll-free 1-866-377-4743, by writing to us at 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by visiting our website at [www.penderfund.com](http://www.penderfund.com) or the SEDAR website at [www.sedar.com](http://www.sedar.com).

You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Results of Operations

The Pender Bond Universe Fund (the "Fund") commenced operations on January 31, 2020. As at June 30, 2020 the net assets of the Fund were \$11,710,373, representing net unitholder purchases of \$11,452,893 (including seed capital of \$150,000) and \$257,480 attributable to positive investment performance. Because the Fund has been in operation for less than one-year, past performance data is not available.

The following comments and the comments under "Recent Developments" reflect the views of the portfolio management team and are based on information as at the end of the period. Please read the caution regarding forward-looking statements located on the last page of this document.

The twin shocks of COVID-19's economic standstill and the oil-related market collapse both impacted the Fund over this period. The term premium represents the extra yield investors receive for holding longer dated credit. As this remains negative, and investors are not being adequately compensated for holding longer dated bonds, the Fund is positioned with a shorter duration focus. Exposure to higher yielding areas of the credit markets through the Fund's Pender Corporate Bond Fund holdings worked against the Fund at the beginning of the downturn however provided some tailwind coming out. Offsetting the areas of weakness to some degree was relative strength in several high-quality credits of US corporate issuers denominated in Canadian dollars.

#### Investment Grade Performance:

Areas of strength included the fund's holdings of Government bonds which rallied as a safe haven investment in response to the market volatility created by the uncertainty posed by COVID-19 and also in response to unprecedented government intervention in this area. A specific example of a strong performer here was a Province of Quebec bond which was purchased by the fund beginning in April. Other areas of strength included several specific holdings in the Investment Grade corporate bond space including a Choice Properties and a Wells Fargo bond. Weakness on the investment grade side came from specific corporate bond holdings such as Walt Disney which fell in response to the uncertainty surrounding the impact that a pandemic-imposed shutdown would have on several areas of the company's business.

#### High Yield Performance:

The Pender Corporate Bond Fund had several areas of relative weakness during the first half of 2020 including its energy sector holdings, floating rate or rate reset securities along with high yield bonds, regardless of industry as investors fled risk. Floating rate or rate reset securities fell in sympathy with rate cuts and investor sentiment respecting the direction of long-term interest rates. Although a negative contributor lately, we believe this asset class remains undervalued and provides a diversification effect with merit. Offsetting these areas of weakness to some degree was relative strength in several Health Care & Pharma holdings, positions in Government of Canada bonds along with other high quality, short-duration credit from issuers such as Canadian National Railway Company and Apple Inc. Several specific names that contributed to offsetting weakness on the Health Care & Pharma side included Paratek Pharmaceuticals, Inc., OPKO Health, Inc. and Avadel Pharmaceuticals plc.

### Recent Developments

World markets have experienced unparalleled volatility during 2020. While the initial impact of the COVID-19 outbreak on world markets was muted in January, the widening global impact of COVID-19 and the breakdown of OPEC resulted in markets reacting with significant downward volatility and turmoil in late February and into March 2020. World markets made an astonishing rebound in April. Since then, unprecedented monetary and fiscal stimulus, the initial reopening of global economies, and promising medical progress for potential COVID-19 therapies/vaccines have continued to push world markets higher. World markets in general seem to be on a recovery path. Nonetheless, there remains many uncertainties remain that could cause world markets to turn rapidly and unexpectedly. Any potential impact on investment results will depend, to a large extent, on future developments and new information that may emerge regarding the duration and severity of the COVID-19 and the actions taken by government authorities and other entities to contain the virus or treat its impact, all of which are beyond our control.

With triple B spreads spiking to approximately 5% in the second half of March, the Fund took this opportunity to reposition to a higher triple B rating weight than it had previously held. Government bonds, helped in no small way by limitless central bank interventions, have been bid to record low yields in North America. In the middle of April, the City of Vancouver bonds held previously by the Fund were sold, the Fund's weight in Government of Canada bonds was decreased and the Pender Corporate Bond Fund weight within the Pender Bond Universe Fund was increased from the level it had been reduced to in March. We also added several positions to the Fund that we believe to offer reasonably good relative value within Canadian investment grade credit.

### Recent Developments (continued)

When the Fund was launched in the earlier part of the year, it held up to a 40% weight in the Pender Corporate Bond Fund however, in the second half of May we reduced this weight in order to limit the non-investment grade securities to a maximum of 25% of the overall Pender Bond Universe Fund going forward.

Over the past several months we have seen public debt in the US increase by trillions of dollars and although we have certainly seen the opposite recently, if inflation were to creep back to some degree, our mind goes to the impact that this might have ultimately on the price of short dated vs. longer dated bonds. As the price drops of longer dated bonds would be significant in comparison to that of shorter dated – the Fund remains focused on shorter duration credits. The duration of the Fund as at June 30, 2020 was 3.08.

### Related Party Transactions

The Fund pays management and administration fees to the Manager for management and portfolio advisory services (see “Management Fees”).

As at the end of the period, parties related to the Manager collectively held 2% of the Fund's units and the Pender Partners Fund, a fund also managed by the Manager, collectively held 7% of the Fund's outstanding units.

As part of the Fund's investment strategy, the Fund invests in Class O units of the Pender Corporate Bond Fund, a mutual fund also managed by the Manager. The Fund does not pay any duplicate management fees on its investment in this mutual fund.

### Management Fees

The Fund pays management and administration fees calculated as a percentage of the net asset value of each respective class. The fees are calculated at the close of business on each valuation day and are paid monthly. In exchange for the administration fee, the Manager pays the operating costs of the Fund so that the Management Expense Ratio (“MER”) for each class does not exceed certain levels as set out in the Fund's offering documents.

Management fees are used by the Manager, in part, to pay sales commissions, trailer fees, marketing costs and other associated distribution costs relating to the sale of units of the Fund.

Such expenses represented approximately 23% of the management fees paid by the Fund to the Manager for the period.

**FINANCIAL HIGHLIGHTS**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period ended June 30, 2020.

<b>CLASS A</b>	
<b>Fund's Net Assets Per Unit (a)</b>	<b>2020</b>
Net assets – beginning of period (b)	\$10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.13
Total expenses	-
Realized gains (losses)	(0.01)
Unrealized gains (losses)	0.42
<b>Total increase (decrease) from operations (c)</b>	<b>0.54</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.11)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions (c), (d)</b>	<b>(0.11)</b>
<b>Net assets – end of period</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>	
Total net asset value (\$000s) (a)	\$4,664
Number of units outstanding (a)	466,320
Management expense ratio (e)	0.00%
Management expense ratio before absorptions (f)	1.45%
Trading expense ratio (g)	0.04%
Portfolio turnover rate (h)	74.49%
Net asset value per unit (a)	\$10.00

<b>CLASS D</b>	
<b>Fund's Net Assets Per Unit (a)</b>	<b>2020</b>
Net assets – beginning of period (b)	\$10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.12
Total expenses	-
Realized gains (losses)	(0.08)
Unrealized gains (losses)	0.08
<b>Total increase (decrease) from operations (c)</b>	<b>0.12</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.11)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions (c), (d)</b>	<b>(0.11)</b>
<b>Net assets – end of period</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>	
Total net asset value (\$000s) (a)	\$5
Number of units outstanding (a)	506
Management expense ratio (e)	0.00%
Management expense ratio before absorptions (f)	1.00%
Trading expense ratio (g)	0.04%
Portfolio turnover rate (h)	74.49%
Net asset value per unit (a)	\$10.00

## FINANCIAL HIGHLIGHTS (CONTINUED)

<b>CLASS E</b>	
<b>Fund's Net Assets Per Unit (a)</b>	<b>2020</b>
Net assets – beginning of period (b)	\$10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.12
Total expenses	-
Realized gains (losses)	(0.09)
Unrealized gains (losses)	0.11
<b>Total increase (decrease) from operations (c)</b>	<b>0.14</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.11)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions (c), (d)</b>	<b>(0.11)</b>
<b>Net assets – end of period</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>	
Total net asset value (\$000s) (a)	\$252
Number of units outstanding (a)	25,158
Management expense ratio (e)	0.00%
Management expense ratio before absorptions (f)	0.50%
Trading expense ratio (g)	0.04%
Portfolio turnover rate (h)	74.49%
Net asset value per unit (a)	\$10.00

<b>CLASS F</b>	
<b>Fund's Net Assets Per Unit (a)</b>	<b>2020</b>
Net assets – beginning of period (b)	\$10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.12
Total expenses	-
Realized gains (losses)	(0.11)
Unrealized gains (losses)	0.11
<b>Total increase (decrease) from operations (c)</b>	<b>0.12</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.11)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions (c), (d)</b>	<b>(0.11)</b>
<b>Net assets – end of period</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>	
Total net asset value (\$000s) (a)	\$5,949
Number of units outstanding (a)	594,729
Management expense ratio (e)	0.00%
Management expense ratio before absorptions (f)	0.95%
Trading expense ratio (g)	0.04%
Portfolio turnover rate (h)	74.49%
Net asset value per unit (a)	\$10.00

## FINANCIAL HIGHLIGHTS (CONTINUED)

<b>CLASS H</b>	
<b>Fund's Net Assets Per Unit (a)</b>	<b>2020</b>
Net assets – beginning of period (b)	\$10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.12
Total expenses	-
Realized gains (losses)	(0.08)
Unrealized gains (losses)	0.08
<b>Total increase (decrease) from operations (c)</b>	<b>0.12</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.11)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions (c), (d)</b>	<b>(0.11)</b>
<b>Net assets – end of period</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>	
Total net asset value (\$000s) (a)	\$5
Number of units outstanding (a)	506
Management expense ratio (e)	0.00%
Management expense ratio before absorptions (f)	1.15%
Trading expense ratio (g)	0.04%
Portfolio turnover rate (h)	74.49%
Net asset value per unit (a)	\$10.00

<b>CLASS I</b>	
<b>Fund's Net Assets Per Unit (a)</b>	<b>2020</b>
Net assets – beginning of period (b)	\$10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.12
Total expenses	-
Realized gains (losses)	(0.08)
Unrealized gains (losses)	0.08
<b>Total increase (decrease) from operations (c)</b>	<b>0.12</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.11)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions (c), (d)</b>	<b>(0.11)</b>
<b>Net assets – end of period</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>	
Total net asset value (\$000s) (a)	\$5
Number of units outstanding (a)	506
Management expense ratio (e)	0.00%
Management expense ratio before absorptions (f)	0.90%
Trading expense ratio (g)	0.04%
Portfolio turnover rate (h)	74.49%
Net asset value per unit (a)	\$10.00

## FINANCIAL HIGHLIGHTS (CONTINUED)

<b>CLASS N</b>	
<b>Fund's Net Assets Per Unit (a)</b>	<b>2020</b>
Net assets – beginning of period (b)	\$10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.12
Total expenses	-
Realized gains (losses)	(0.08)
Unrealized gains (losses)	0.08
<b>Total increase (decrease) from operations (c)</b>	<b>0.12</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.11)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions (c), (d)</b>	<b>(0.11)</b>
<b>Net assets – end of period</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>	
Total net asset value (\$000s) (a)	\$5
Number of units outstanding (a)	506
Management expense ratio (e)	0.00%
Management expense ratio before absorptions (f)	0.75%
Trading expense ratio (g)	0.04%
Portfolio turnover rate (h)	74.49%
Net asset value per unit (a)	\$10.00

<b>CLASS O</b>	
<b>Fund's Net Assets Per Unit (a)</b>	<b>2020</b>
Net assets – beginning of period (b)	\$10.00
<b>Increase (decrease) from operations:</b>	
Total revenue	0.13
Total expenses	-
Realized gains (losses)	-
Unrealized gains (losses)	0.65
<b>Total increase (decrease) from operations (c)</b>	<b>0.78</b>
<b>Distributions:</b>	
From income (excluding dividends)	(0.11)
From dividends	-
From capital gains	-
Return of capital	-
<b>Total annual distributions (c), (d)</b>	<b>(0.11)</b>
<b>Net assets – end of period</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>	
Total net asset value (\$000s) (a)	\$826
Number of units outstanding (a)	82,558
Management expense ratio (e)	0.00%
Management expense ratio before absorptions (f)	0.00%
Trading expense ratio (g)	0.04%
Portfolio turnover rate (h)	74.49%
Net asset value per unit (a)	\$10.00

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

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- (a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30, prepared under International Financial Reporting Standards.
- (b) The Fund's information for each class is from the dates each class commenced operations: January 31, 2020.
- (c) Net assets per unit and distributions per unit are based on the actual number of units for the relevant Fund class outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding during the period.
- (d) Distributions were paid in cash and/or reinvested in additional units of the Fund.
- (e) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the period and is expressed as an annualized percentage of daily average net asset value during the period. The MER may vary from one class of units to another because of differences in the applicable management fees and certain fees and expenses may have been absorbed by the Manager which would otherwise be reflected in the Fund.
- (f) The Manager of the Fund has agreed to absorb sufficient expenses of the Fund, as necessary, such that the annual MER after all charges and taxes (including sales, goods and services and other similar charges) will not exceed certain limits as outlined in the Fund's Simplified Prospectus. The amount of expenses absorbed is at the discretion of the Manager as set out in the Fund's Simplified Prospectus and the Manager may in its sole discretion cease to absorb expenses.
- (g) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (h) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. In general, the higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

**PAST PERFORMANCE**

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

**SUMMARY OF INVESTMENT PORTFOLIO**

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

## Summary of Top 25 Holdings

	<b>% of Net Assets</b>
Pender Corporate Bond Fund, Class 'O'	29.1
Apple Inc., 2.51%, 2024/08/19	4.9
Canadian Pacific Railway Company, 5.10%, 2022/01/14	4.9
McDonald's Corporation, 3.13%, 2025/03/04	4.9
PepsiCo, Inc., 2.15%, 2024/05/06	4.9
Province of Quebec, 1.90%, 2030/09/01	4.9
The Goldman Sachs Group, Inc., 3.31%, 2025/10/31	4.9
United Parcel Service, Inc., 2.13%, 2024/05/21	4.9
Wells Fargo & Company, 3.87%, 2025/05/21	4.9
Canadian National Railway Company, 2.75%, 2021/02/18	4.7
Royal Bank of Canada, 0.70%, 2022/06/27	4.7
Choice Properties Real Estate Investment Trust, 2.98%, 2030/03/04	4.0
Government of Canada, 1.75%, 2020/08/01	2.3
Government of Canada, 2.00%, 2020/11/01	2.3
Government of Canada, 0.75%, 2021/03/01	2.3
Government of Canada, 2.75%, 2022/06/01	2.3
Government of Canada, 1.00%, 2022/09/01	2.3

## Summary of Composition of the Portfolio

	<b>% of Net Assets</b>
US corporate bonds	29.4
Mutual funds	29.1
Canadian corporate bonds	18.3
Government bonds	16.4
<b>Total investment portfolio</b>	<b>93.2</b>
Cash	4.5
Other assets less liabilities	2.3
<b>Total net assets</b>	<b>100.0</b>

## Caution Regarding Forward-Looking Statements

This report contains forward-looking statements about the Fund, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies or prospects, and possible future Fund action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Fund and economic factors, among other things.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these digressions, including, but not limited to: general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, except as may be required under applicable law, the Manager has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

# PENDER

MANAGED BY:  
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