

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Pender Bond Universe Fund

For the period ended December 31, 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 annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the annual financial statements at your request, at no cost, by calling toll-free 1-866-377-4743, by writing to us at 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by visiting our website at www.penderfund.com or the SEDAR website at www.sedar.com.

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The primary objective of the Pender Bond Universe Fund (the "Fund") is to preserve capital and generate returns through current income and capital appreciation. The Fund invests primarily in investment grade fixed income securities.

PenderFund Capital Management Ltd. ("Pender") is the Manager and Portfolio Advisor of the Fund.

Risks

The risks of investing in the Fund are outlined in the Simplified Prospectus dated June 25, 2020. Interest rate risk and credit risk remain the principal risks associated with the Fund. There were no significant changes to the Fund's objectives and strategies that affected its overall level of risk during the period.

In 2020, the COVID-19 global health pandemic resulted in significant volatility and turmoil in World markets. While the negative economic impact of measures to contain the virus have been mitigated to an extent by fiscal and monetary stimulus, by measures taken to reopen world economies, and by the development of vaccines, the situation had an impact on many entities and the markets for the securities that they issue and the impact may continue. Investment results will depend to a large extent on future developments and new information that may emerge regarding COVID-19 and the pandemic, factors which are beyond the Fund's control.

Results of Operations

The Pender Bond Universe Fund commenced operations on January 31, 2020. As at December 31, 2020 the net assets of the Fund were \$11,030,372, representing net unitholder purchases of \$10,177,883 (including seed capital of \$150,000) and \$852,489 attributable to positive investment performance. Because the Fund has been in operation for less than one-year, past performance data is not available for disclosure.

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.

Blows to supply and demand resulting from COVID-19 lockdowns and significant drawdowns in the petroleum market both impacted the Fund in early 2020. The Fund retains its short duration focus as term premium remains negative and investors are still not being compensated for holding longer dated securities. 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 COVID-19 crisis, however, provided some tailwinds coming out. Offsetting the areas of weakness to some degree was relative strength in several high-quality credits of Investment Grade issuers.

Investment Grade Performance:

Towards the end of the period, areas of strength included the Fund's lower-rated Investment Grade holdings which saw spread tightening as market participants rotated out of government bonds and back into credit. A specific example of a strong performer here were the bonds of Choice Properties Real Estate Investment Trust. Other areas of strength included several specific holdings in the Investment Grade corporate bond space including the recent addition of Cameco Corporation. Weakness on the Investment Grade side came from government-related bond holdings which saw selling pressure towards the end of the year as investors shed weight in safe-haven assets.

High Yield Performance:

Following a tumultuous start to the period, the Pender Corporate Bond Fund's allocation to high yield bonds, floating rate and rate reset securities acted as negative contributors to the Fund's performance in the first half of 2020 but saw a sharp turnaround and began to outpace investment grade securities towards year end. Gains in the second half of the year were extremely broad-based as many of our credit positions moved higher during the last quarter. Our positions in convertible bonds from issuers such as FireEye Inc., Palo Alto Networks, Inc. and SunPower Corporation were areas of strength. Weakness in the portfolio was limited during the second half of the period, however, we did see pressure in some names including the credit of Accelerate Diagnostics, Inc. and Intercept Pharmaceuticals, Inc.

Recent Developments

World markets experienced an unparalleled recovery during 2020, after kicking the period off with significant downward volatility and turmoil in reaction to the COVID-19 outbreak. Since then, extraordinary monetary and fiscal stimulus, the reopening of global economies, and the development of promising COVID-19 vaccines helped markets push through their previous high-water mark. Nevertheless, there remain uncertainties that could impact the trajectory of the global recovery and turn markets unexpectedly. In particular, the timely distribution of inoculations, their overall efficacy and the actions taken by government authorities are top of mind for market participants. Any potential impact on investment results will depend, to a large extent, on future developments and new information that may emerge regarding COVID-19.

With triple B spreads spiking to approximately 4.88% in the second half of March, the Fund took the opportunity to reposition to a higher triple B rating weight than it had previously held. In the middle of April, 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. In the second half of the year, we also added several positions to the Fund that we believe to offer reasonably good relative value within Canadian investment grade credit. After being bid to record lows in North America, government bond yields finished 2020 inching slightly higher, and triple B spreads closed at 1.30%.

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 reflecting the decision to limit the non-investment grade securities to a maximum of 25% of the overall Pender Bond Universe Fund going forward.

The duration of the Fund remained relatively short through this period and closed the period at 3.58 years.

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 3% of the Fund's units. In addition, the Pender Partners Fund, a fund also managed by the Manager, collectively held 8% 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 Management Expense Ratio ("MER") for each class does not exceed certain levels as set out in the Fund's offering documents. The fees are calculated at the close of business on each valuation day and are paid monthly. Administration fees are used by the Manager to pay the operating costs of the Fund. During the period from inception through to December 31, 2020 the Manager waived management and administration fees and custody related transaction costs for the Fund.

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 December 31, 2020.

| CLASS A | |
|--|----------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.29 |
| Total expenses | - |
| Realized gains (losses) | 0.02 |
| Unrealized gains (losses) | 0.71 |
| Total increase (decrease) from operations (c) | 1.02 |
| Distributions: | |
| From income (excluding dividends) | (0.26) |
| From dividends | (0.01) |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.27) |
| Net assets – end of period | \$10.37 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$1,278 |
| Number of units outstanding (a) | 123,163 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 1.45% |
| Trading expense ratio (g) | 0.02% |
| Portfolio turnover rate (h) | 86.57% |
| Net asset value per unit (a) | \$10.37 |

| CLASS D | |
|--|----------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.28 |
| Total expenses | - |
| Realized gains (losses) | (0.04) |
| Unrealized gains (losses) | 0.40 |
| Total increase (decrease) from operations (c) | 0.64 |
| Distributions: | |
| From income (excluding dividends) | (0.26) |
| From dividends | (0.01) |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.27) |
| Net assets – end of period | \$10.37 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$5 |
| Number of units outstanding (a) | 513 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 0.95% |
| Trading expense ratio (g) | 0.02% |
| Portfolio turnover rate (h) | 86.57% |
| Net asset value per unit (a) | \$10.37 |

FINANCIAL HIGHLIGHTS (CONTINUED)

| CLASS E | |
|--|----------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.28 |
| Total expenses | - |
| Realized gains (losses) | (0.03) |
| Unrealized gains (losses) | 0.43 |
| Total increase (decrease) from operations (c) | 0.68 |
| Distributions: | |
| From income (excluding dividends) | (0.26) |
| From dividends | (0.01) |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.27) |
| Net assets – end of period | \$10.37 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$280 |
| Number of units outstanding (a) | 26,956 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 0.50% |
| Trading expense ratio (g) | 0.02% |
| Portfolio turnover rate (h) | 86.57% |
| Net asset value per unit (a) | \$10.37 |

| CLASS F | |
|--|----------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.28 |
| Total expenses | - |
| Realized gains (losses) | (0.06) |
| Unrealized gains (losses) | 0.40 |
| Total increase (decrease) from operations (c) | 0.62 |
| Distributions: | |
| From income (excluding dividends) | (0.26) |
| From dividends | (0.01) |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.27) |
| Net assets – end of period | \$10.37 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$3,558 |
| Number of units outstanding (a) | 343,036 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 0.95% |
| Trading expense ratio (g) | 0.02% |
| Portfolio turnover rate (h) | 86.57% |
| Net asset value per unit (a) | \$10.37 |

FINANCIAL HIGHLIGHTS (CONTINUED)

| CLASS H | |
|--|----------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.30 |
| Total expenses | - |
| Realized gains (losses) | 0.15 |
| Unrealized gains (losses) | 0.66 |
| Total increase (decrease) from operations (c) | 1.11 |
| Distributions: | |
| From income (excluding dividends) | (0.25) |
| From dividends | (0.02) |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.27) |
| Net assets – end of period | \$10.37 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$3,757 |
| Number of units outstanding (a) | 362,168 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 1.15% |
| Trading expense ratio (g) | 0.02% |
| Portfolio turnover rate (h) | 86.57% |
| Net asset value per unit (a) | \$10.37 |

| CLASS I | |
|--|----------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.30 |
| Total expenses | - |
| Realized gains (losses) | 0.13 |
| Unrealized gains (losses) | 0.65 |
| Total increase (decrease) from operations (c) | 1.08 |
| Distributions: | |
| From income (excluding dividends) | (0.26) |
| From dividends | (0.01) |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.27) |
| Net assets – end of period | \$10.37 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$1,278 |
| Number of units outstanding (a) | 123,253 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 0.90% |
| Trading expense ratio (g) | 0.02% |
| Portfolio turnover rate (h) | 86.57% |
| Net asset value per unit (a) | \$10.37 |

FINANCIAL HIGHLIGHTS (CONTINUED)

| CLASS N | |
|--|----------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.28 |
| Total expenses | - |
| Realized gains (losses) | (0.04) |
| Unrealized gains (losses) | 0.40 |
| Total increase (decrease) from operations (c) | 0.64 |
| Distributions: | |
| From income (excluding dividends) | (0.26) |
| From dividends | (0.01) |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.27) |
| Net assets – end of period | \$10.37 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$5 |
| Number of units outstanding (a) | 513 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 0.75% |
| Trading expense ratio (g) | 0.02% |
| Portfolio turnover rate (h) | 86.57% |
| Net asset value per unit (a) | \$10.37 |

| CLASS O | |
|--|----------------|
| Fund's Net Assets Per Unit (a) | 2020 |
| Net assets – beginning of period (b) | \$10.00 |
| Increase (decrease) from operations: | |
| Total revenue | 0.29 |
| Total expenses | - |
| Realized gains (losses) | 0.07 |
| Unrealized gains (losses) | 0.75 |
| Total increase (decrease) from operations (c) | 1.11 |
| Distributions: | |
| From income (excluding dividends) | (0.26) |
| From dividends | (0.01) |
| From capital gains | - |
| Return of capital | - |
| Total annual distributions (c), (d) | (0.27) |
| Net assets – end of period | \$10.37 |
| Ratios and Supplemental Data | |
| Total net asset value (\$000s) (a) | \$869 |
| Number of units outstanding (a) | 83,800 |
| Management expense ratio (e) | 0.00% |
| Management expense ratio before absorptions (f) | 0.00% |
| Trading expense ratio (g) | 0.02% |
| Portfolio turnover rate (h) | 86.57% |
| Net asset value per unit (a) | \$10.37 |

FINANCIAL HIGHLIGHTS (CONTINUED)**Footnotes:**

- (a) This information is derived from the Fund's audited annual financial statements as at December 31 for the period stated, prepared under International Financial Reporting Standards.
- (b) The Fund's information for each class is from the date 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 for disclosure because it has been in operation for less than one year. The Fund commenced operations on January 31, 2020.

SUMMARY OF INVESTMENT PORTFOLIO

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

Summary of Top 25 Holdings

| | % of Net Assets |
|---|------------------------|
| Pender Corporate Bond Fund, Class 'O' | 31.7 |
| The Goldman Sachs Group, Inc., 3.31%, 2025/10/31 | 5.3 |
| Wells Fargo & Company, 3.87%, 2025/05/21 | 5.3 |
| Province of Quebec, 1.90%, 2030/09/01 | 5.2 |
| Royal Bank of Canada, 0.62%, 2022/06/27 | 5.0 |
| Bell Canada, Inc., 7.00%, 2027/09/24 | 4.8 |
| Choice Properties Real Estate Investment Trust, 2.98%, 2030/03/04 | 4.4 |
| Apple Inc., 2.51%, 2024/08/19 | 4.3 |
| McDonald's Corporation, 3.13%, 2025/03/04 | 4.3 |
| PepsiCo, Inc., 2.15%, 2024/05/06 | 4.3 |
| Canadian National Railway Company, 2.75%, 2021/02/18 | 4.2 |
| Canadian Pacific Railway Company, 5.10%, 2022/01/14 | 4.2 |
| Cameco Corporation, 2.95%, 2027/10/21 | 3.7 |
| United Parcel Service, Inc., 2.13%, 2024/05/21 | 3.4 |
| Government of Canada, 1.00%, 2022/09/01 | 2.4 |
| Government of Canada, 2.75%, 2022/06/01 | 2.4 |
| Wells Fargo & Company, 2.57%, 2026/05/01 | 2.4 |

Summary of Composition of the Portfolio

| | % of Net Assets |
|-----------------------------------|------------------------|
| Mutual funds | 31.7 |
| US corporate bonds | 29.3 |
| Canadian corporate bonds | 26.3 |
| Government bonds | 10.0 |
| Total investment portfolio | 97.3 |
| Cash | 2.2 |
| Other assets less liabilities | 0.5 |
| Total net assets | 100.0 |

Caution Regarding Forward-Looking Statements

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

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

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

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

PENDER

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