

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Pender Enhanced Income Fund

For the year ended December 31, 2020

PENDER

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 objective of the Pender Enhanced Income Fund (the "Fund") is to generate long-term growth in value and income by investing in a diversified portfolio of Canadian and foreign equities, corporate bonds, Canadian and foreign government bonds, and exchange traded funds which track sector or broad market indices. The Fund is designed to provide both moderate income and portfolio growth over the long-term, while being sufficiently diversified to mitigate volatility.

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. There were no significant changes to the Fund's objectives and strategies that affected its overall level of risk during the year.

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 net assets of the Pender Enhanced Income Fund were \$40,094,193 as at December 31, 2020 versus \$66,187,175 as at December 31, 2019. Of this \$26,092,982 decrease, \$4,596,594 is attributable to negative investment performance, and \$21,496,388 is attributable to net unitholder redemptions of the Fund.

For the year ended December 31, 2020, Class A units of the Fund generated a total return of -1.9%. Returns for other classes of the Fund will be similar to Class A with any difference in performance being primarily due to the different management fees that are applicable to different classes. Please see the "Past Performance" section for the performance of the Fund's other classes.

The Fund's broad-based benchmark, the S&P/TSX Composite Index ("S&P/TSX"), returned 5.6% during the year. In accordance with National Instrument 81-106, we have included a comparison to this broad-based index to help you understand the Fund's performance relative to the general performance of the market, but caution that the Fund's mandate may be significantly different from the index. For example, the Fund's returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund's benchmark, which are based on the performance of an index that does not pay fees or incur expenses.

The Fund's blended benchmark, 50% FTSE/TMX Canada Bond Universe, 35% S&P/TSX and 15% S&P 500 Index in Canadian dollars ("S&P 500"), returned 9.3% during the year. We include information about this blended benchmark, which more closely reflects the asset classes in which the Fund invests, to provide a more useful comparison for the performance of the Fund.

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

The Fund's underperformance as compared to its blended benchmark was mainly due to the contribution of the Canadian equity asset class. The Diversified Financials and Energy sectors were the main detractors in the Canadian equity asset class. The Fund's fixed income asset, the Pender Corporate Bond Fund, was approximately 39.9% of the Fund's portfolio at the end of the year, compared to 50% fixed income in the blended benchmark. The Pender Corporate Bond Fund, returned 8.2% (for Class O units), underperforming the FTSE/TMX Canada Bond Universe Index which returned 8.7%.

Equity performance

Key positive individual contributors to the Fund's equity performance for the year included Baidu, Inc., Spartan Delta Corp., and KKR & Co. Inc. Conversely, PetroShale Inc., Community Vehicle Financing & Leasing Inc. preferred shares, and Agawa Investment Ltd. corporate bond had an adverse impact.

Results of Operations (continued)

Equity performance (continued)

Since becoming the portfolio advisor of the Fund on December 15, 2019, portfolio transactions have been based on our stock selection process. In general, we increased weightings of individual stocks where we determined the margin of safety had increased and decreased their weightings as their traded market values moved closer to our estimates of their intrinsic values. We are constantly looking for new investment ideas and examples of new investments include Burford Capital Limited, Information Services Corporation, and Exor N.V. We may liquidate our positions for various reasons, such as when share prices have reached our assessment of fair value, when an acquisition has occurred, or where we have changed our investment thesis. For example, during the year we sold PetroShale Inc., Guardian Capital Group Ltd., and Dream Industrial REIT.

Fixed income performance

The Fund's fixed income asset, the Pender Corporate Bond Fund, was approximately 39.9% of the Fund's portfolio at the end of the year. The Pender Corporate Bond Fund's allocation to high yield bonds, floating rate and rate reset securities, led it to finish off the year slightly behind its benchmark. Following a tumultuous start to the year, these asset classes acted as negative contributors in the first half of 2020 but saw a sharp turnaround and began to outpace the benchmark 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 year, however, we did see pressure in some names including the credit of Accelerate Diagnostics, Inc. and Intercept Pharmaceuticals, Inc.

Recent Developments

Equity outlook

The equity portion of the portfolio takes a value-based approach through a portfolio of North American and foreign securities with the objectives of capital appreciation, income generation and capital preservation.

This year was an unforgettable one. While the initial impact of the COVID-19 on North American markets was muted in January, the widening global impact of the pandemic and the breakdown of OPEC resulted in significant downward volatility and market turmoil. After peaking on February 19, 2020 the S&P 500's historic bull run was crushed with breathtaking speed. By March 23, 2020 it had experienced its quickest downturn in history with a peak to trough loss of 33.9%.

Today stock markets are near or at record high levels again. Recent periods of strong performance, combined with the still fresh memories of the crash last spring, means that we are increasingly asked what we are doing to protect our gains. No one wants to go backwards. We know that another pullback is inevitable. That is, after all, what markets tend to do. There remains much uncertainty that could cause stock markets to turn rapidly and unexpectedly. Any potential impact on investment results will depend, to some extent, on the actions taken by governments, the progress of vaccination, future developments and new information about the duration and severity of the global pandemic, all of which are beyond our control.

We cannot control stock prices or volatility. However, we can and do control our investment process. We strive to adapt to new methods and views that better represent how the world works. We believe it is essential to have a long-term perspective and stick to our investment process and philosophy in times of uncertainty. The world is going through many changes during the pandemic – some changes are temporary, and some changes are permanent. We continue to try to identify trends that are in sync with how the world is changing and to allocate more of our capital to growing companies that have tailwinds and that we believe are still mispriced by the market. We are constantly reassessing our existing holdings as new facts come in, adding to those that we believe will do well in a post pandemic world and trimming some select positions that have held up remarkably well where in our view the good news seems to be more than priced in.

The significant level of monetary stimulus has driven interest rates down and increased the demand for higher yield investments. This has driven the valuations of many higher dividend yielding large-cap stocks to unattractive levels. As a result, the Fund's holdings of small and mid-cap dividend paying stocks is expected to increase. As we run a concentrated investment portfolio, we only need to hold a relatively small number of great companies acquired at a good price to drive the performance of the Fund. We will continue to look for best ideas, those that we think will benefit from the tailwinds caused by changes in behaviors, that could be potential disruptors or leaders on the other side of the global crisis, and that trade at significant discounts to intrinsic values.

Recent Developments (continued)

Fixed income outlook

World markets experienced an unparalleled recovery during 2020, after kicking the year 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.

The recovery in bond markets was widespread, although disjointed. Sovereign and Investment grade bonds led the initial stages of the rebound but plateaued in the second half of the year. The US BBB Rated Index's effective yield to maturity, after spiking as high as 5.56% on March 23, entered the third quarter at 2.67% and finished the year at approximately 2.06%. After being bid to record lows in North America, government bond yields finished the year inching slightly higher.

Looking down the table, the lower tiers of credit are now in the spotlight of the fixed income rebound. Single-B credits ended the year at a spread to treasuries of approximately 4.13%, which does represent a significant improvement from over 11.89% at the peak of the crisis but is still slightly wider than in early 2020. And the CCC and below index, which is home to the markets most distressed (and lowest priced) bonds, saw relative strength in the fourth quarter. Touching 19.62% effective yield on March 23, the BoAML CCC Index had a yield of approximately 8.03% towards the end of the year, approximately 2 points lower than where things stood in early January.

We remained committed to our guiding principles through this year including maintaining the shape of the fund. In order to have the ability to take advantage of opportunities as they presented themselves, as well as to keep investor confidence in the Fund, it is important to maintain the "shape" of the Fund in terms of our weighting by risk tier. The Fund remains positioned with a bias toward short duration credit and our strategy continues to favour well-covered positions with room for capital appreciation in areas such as discounted closed-end funds, currently out-of-the-money convertible notes, select rate reset preferreds and floating rate notes along with credit positions that we believe to be relatively undervalued.

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 year, parties related to the Manager did not hold any of the Fund's units.

As part of the Fund's investment strategy, the Fund invests in Class O units of the Pender Corporate Bond Fund and Pender Small Cap Opportunities Fund, mutual funds also managed by the Manager. The Fund does not pay any duplicate management fees on its investment in these mutual funds.

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.

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 year.

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 year and the calendar years indicated.

CLASS A

Fund's Net Assets Per Unit (a)	2020	2019	2018	2017	2016
Net assets – beginning of year	\$7.53	\$8.23	\$9.38	\$9.56	\$9.03
Increase (decrease) from operations:					
Total revenue	0.28	0.32	0.57	0.60	0.82
Total expenses	(0.15)	(0.28)	(0.23)	(0.21)	(0.21)
Realized gains (losses)	(0.97)	(1.12)	(1.93)	0.70	(0.11)
Unrealized gains (losses)	0.19	1.18	0.99	(0.74)	0.60
Total increase (decrease) from operations (b)	(0.65)	0.10	(0.60)	0.35	1.10
Distributions:					
From income (excluding dividends)	(0.04)	-	(0.30)	(0.40)	(0.65)
From dividends	(0.08)	(0.01)	(0.07)	(0.03)	(0.03)
From capital gains	-	-	-	-	-
Return of capital	(0.18)	(0.39)	(0.09)	(0.05)	-
Total annual distributions (b), (c)	(0.30)	(0.40)	(0.46)	(0.48)	(0.68)
Net assets – end of year	\$7.04	\$7.53	\$8.23	\$9.38	\$9.56
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$10,967	\$18,234	\$14,982	\$27,991	\$47,727
Number of units outstanding (a)	1,557,614	2,421,712	1,820,922	2,985,253	4,993,155
Management expense ratio (d)	2.25%	3.07%	2.36%	2.07%	2.18%
Management expense ratio before absorptions (e)	2.25%	3.07%	2.36%	2.07%	2.18%
Trading expense ratio (f)	0.14%	0.15%	0.12%	0.08%	0.07%
Portfolio turnover rate (g)	35.33%	194.29%	53.48%	77.82%	39.70%
Net asset value per unit (a)	\$7.04	\$7.53	\$8.23	\$9.38	\$9.56

CLASS A1

Fund's Net Assets Per Unit (a)	2020	2019	2018	2017	2016
Net assets – beginning of year	\$10.00	\$10.00			
Increase (decrease) from operations:					
Total revenue	0.37	-			
Total expenses	(0.20)	-			
Realized gains (losses)	(1.23)	-			
Unrealized gains (losses)	1.03	-			
Total increase (decrease) from operations (b)	(0.03)	-			
Distributions:					
From income (excluding dividends)	(0.05)	-			
From dividends	(0.10)	-			
From capital gains	-	-			
Return of capital	(0.25)	-			
Total annual distributions (b), (c)	(0.40)	-			
Net assets – end of year	\$9.49	\$10.00			
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$5	\$5			
Number of units outstanding (a)	525	500			
Management expense ratio (d)	2.25%	0.00%			
Management expense ratio before absorptions (e)	2.25%	0.00%			
Trading expense ratio (f)	0.14%	0.15%			
Portfolio turnover rate (g)	35.33%	194.29%			
Net asset value per unit (a)	\$9.49	\$10.00			

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS E					
Fund's Net Assets Per Unit (a)	2020	2019	2018	2017	2016
Net assets – beginning of year	\$10.00	\$10.00			
Increase (decrease) from operations:					
Total revenue	0.37	-			
Total expenses	(0.05)	-			
Realized gains (losses)	(1.24)	-			
Unrealized gains (losses)	1.06	-			
Total increase (decrease) from operations (b)	0.14	-			
Distributions:					
From income (excluding dividends)	(0.05)	-			
From dividends	(0.10)	-			
From capital gains	-	-			
Return of capital	(0.25)	-			
Total annual distributions (b), (c)	(0.40)	-			
Net assets – end of year	\$9.66	\$10.00			
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$5	\$5			
Number of units outstanding (a)	525	500			
Management expense ratio (d)	0.50%	0.00%			
Management expense ratio before absorptions (e)	0.50%	0.00%			
Trading expense ratio (f)	0.14%	0.15%			
Portfolio turnover rate (g)	35.33%	194.29%			
Net asset value per unit (a)	\$9.66	\$10.00			

CLASS F					
Fund's Net Assets Per Unit (a)	2020	2019	2018	2017	2016
Net assets – beginning of year	\$7.71	\$8.36	\$9.45	\$9.55	\$8.95
Increase (decrease) from operations:					
Total revenue	0.28	0.35	0.58	0.61	0.82
Total expenses	(0.09)	(0.22)	(0.16)	(0.13)	(0.13)
Realized gains (losses)	(0.98)	(0.90)	(1.96)	0.70	(0.11)
Unrealized gains (losses)	0.09	1.29	0.99	(0.83)	0.66
Total increase (decrease) from operations (b)	(0.70)	0.52	(0.55)	0.35	1.24
Distributions:					
From income (excluding dividends)	(0.04)	(0.04)	(0.36)	(0.40)	(0.65)
From dividends	(0.08)	(0.13)	(0.07)	(0.04)	(0.03)
From capital gains	-	-	-	-	-
Return of capital	(0.18)	(0.24)	(0.02)	(0.04)	-
Total annual distributions (b), (c)	(0.30)	(0.41)	(0.45)	(0.48)	(0.68)
Net assets – end of year	\$7.28	\$7.71	\$8.36	\$9.45	\$9.55
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$28,989	\$47,924	\$27,364	\$53,280	\$54,685
Number of units outstanding (a)	3,984,231	6,217,314	3,274,932	5,640,943	5,725,384
Management expense ratio (d)	1.25%	2.23%	1.55%	1.26%	1.37%
Management expense ratio before absorptions (e)	1.25%	2.23%	1.55%	1.26%	1.37%
Trading expense ratio (f)	0.14%	0.15%	0.12%	0.08%	0.07%
Portfolio turnover rate (g)	35.33%	194.29%	53.48%	77.48%	39.70%
Net asset value per unit (a)	\$7.28	\$7.71	\$8.36	\$9.45	\$9.55

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS F1

Fund's Net Assets Per Unit (a)	2020	2019	2018	2017	2016
Net assets – beginning of year	\$10.00	\$10.00			
Increase (decrease) from operations:					
Total revenue	0.37	-			
Total expenses	(0.12)	-			
Realized gains (losses)	(0.97)	-			
Unrealized gains (losses)	4.84	-			
Total increase (decrease) from operations (b)	4.12	-			
Distributions:					
From income (excluding dividends)	(0.05)	-			
From dividends	(0.10)	-			
From capital gains	-	-			
Return of capital	(0.25)	-			
Total annual distributions (b), (c)	(0.40)	-			
Net assets – end of year	\$9.58	\$10.00			
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$113	\$5			
Number of units outstanding (a)	11,801	500			
Management expense ratio (d)	1.25%	0.00%			
Management expense ratio before absorptions (e)	1.25%	0.00%			
Trading expense ratio (f)	0.14%	0.15%			
Portfolio turnover rate (g)	35.33%	194.29%			
Net asset value per unit (a)	\$9.58	\$10.00			

CLASS I

Fund's Net Assets Per Unit (a)	2020	2019	2018	2017	2016
Net assets – beginning of year	\$10.00	\$10.00			
Increase (decrease) from operations:					
Total revenue	0.37	-			
Total expenses	(0.11)	-			
Realized gains (losses)	(1.24)	-			
Unrealized gains (losses)	1.05	-			
Total increase (decrease) from operations (b)	0.07	-			
Distributions:					
From income (excluding dividends)	(0.05)	-			
From dividends	(0.10)	-			
From capital gains	-	-			
Return of capital	(0.25)	-			
Total annual distributions (b), (c)	(0.40)	-			
Net assets – end of year	\$9.60	\$10.00			
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$5	\$5			
Number of units outstanding (a)	525	500			
Management expense ratio (d)	1.10%	0.00%			
Management expense ratio before absorptions (e)	1.10%	0.00%			
Trading expense ratio (f)	0.14%	0.15%			
Portfolio turnover rate (g)	35.33%	194.29%			
Net asset value per unit (a)	\$9.60	\$10.00			

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS N					
Fund's Net Assets Per Unit (a)	2020	2019	2018	2017	2016
Net assets – beginning of year	\$10.00	\$10.00			
Increase (decrease) from operations:					
Total revenue	0.37	-			
Total expenses	(0.08)	-			
Realized gains (losses)	(1.24)	-			
Unrealized gains (losses)	1.05	-			
Total increase (decrease) from operations (b)	0.10	-			
Distributions:					
From income (excluding dividends)	(0.05)	-			
From dividends	(0.10)	-			
From capital gains	-	-			
Return of capital	(0.25)	-			
Total annual distributions (b), (c)	(0.40)	-			
Net assets – end of year	\$9.62	\$10.00			
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$5	\$5			
Number of units outstanding (a)	525	500			
Management expense ratio (d)	0.85%	0.00%			
Management expense ratio before absorptions (e)	0.85%	0.00%			
Trading expense ratio (f)	0.14%	0.15%			
Portfolio turnover rate (g)	35.33%	194.29%			
Net asset value per unit (a)	\$9.62	\$10.00			

CLASS O					
Fund's Net Assets Per Unit (a)	2020	2019	2018	2017	2016
Net assets – beginning of year	\$10.00	\$10.00			
Increase (decrease) from operations:					
Total revenue	0.37	-			
Total expenses	(0.02)	-			
Realized gains (losses)	(1.24)	-			
Unrealized gains (losses)	1.07	-			
Total increase (decrease) from operations (b)	0.18	-			
Distributions:					
From income (excluding dividends)	(0.05)	-			
From dividends	(0.10)	-			
From capital gains	-	-			
Return of capital	(0.25)	-			
Total annual distributions (b), (c)	(0.40)	-			
Net assets – end of year	\$9.70	\$10.00			
Ratios and Supplemental Data					
Total net asset value (\$000s) (a)	\$5	\$5			
Number of units outstanding (a)	525	500			
Management expense ratio (d)	0.00%	0.00%			
Management expense ratio before absorptions (e)	0.00%	0.00%			
Trading expense ratio (f)	0.14%	0.15%			
Portfolio turnover rate (g)	35.33%	194.29%			
Net asset value per unit (a)	\$9.70	\$10.00			

FINANCIAL HIGHLIGHTS (CONTINUED)**Footnotes:**

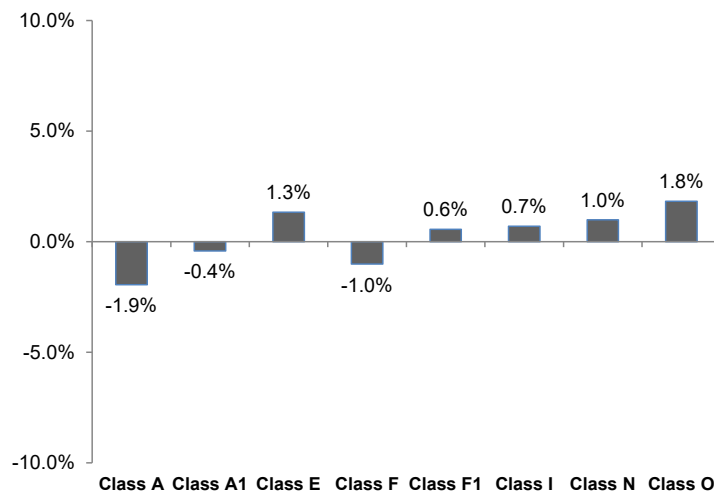
- (a) This information is derived from the Fund's audited annual financial statements as at December 31 for the year stated, prepared under International Financial Reporting Standards.
- (b) Net assets per unit and distributions per unit are based on the actual number of units for the relevant Fund class outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding during the year.
- (c) Distributions were paid in cash and/or reinvested in additional units of the Fund.
- (d) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the year and is expressed as an annualized percentage of daily average net asset value during the year. 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.
- (e) 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.
- (f) 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 year.
- (g) 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 year. In general, the higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

PAST PERFORMANCE

The following charts show the past performance for the units of each class of the Fund and do not necessarily indicate how the Fund will perform in the future. The information shown assumes that any distributions made by the Fund were reinvested in additional units of the Fund. Returns would be different if an investor did not reinvest distributions. In addition, the information does not take into account sales, redemptions, income taxes payable or other charges that would have reduced returns or performance.

Year-by-Year Returns

To illustrate how the Fund’s performance has varied over time, the following bar charts show the annual returns for the calendar years indicated. The information is presented starting from the first full financial year of the respective Fund class. In percentage terms, the bar charts show how much an investment held on the first day of the year would have increased or decreased by the last day of the year.



Annual Compound Returns

The annual compound returns table compares the Fund's performance to one or more benchmarks. Benchmarks are usually an index or a composite of more than one index. An index is generally made up of a group of securities. Since the Fund does not necessarily invest in the same securities as an index or in the same proportion, the Fund's performance is not expected to equal the performance of the index. Fund returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund's benchmark, which is based on the performance of an index that does not pay fees or incur expenses. It may be more helpful to compare the Fund's performance to that of other mutual funds with similar objectives and investment disciplines.

The Fund's broad-based benchmark is S&P/TSX Composite Index. The S&P/TSX is the headline index for the Canadian equity market. With approximately 95% coverage of the Canadian equities market, it is the primary gauge for Canadian-based, Toronto Stock Exchange listed companies.

The Fund's blended benchmark is 50% FTSE TMX Canada Bond Universe, 35% S&P/TSX and 15% S&P 500 Index in Canadian dollars. The FTSE TMX Canada Bond Universe is the broadest and most widely used measure of performance of marketable government and corporate bonds outstanding in the Canadian market. The S&P 500 includes 500 leading companies listed on the NASDAQ and NYSE and captures approximately 80% coverage of available market capitalization. We have included this comparison, which more closely reflects the asset classes in which the Fund invests, to provide a more useful comparison to the performance of the Fund.

A discussion of the performance of the Fund as compared to its benchmarks is found in the "Results of Operations" section of this report.

	One Year	Since Inception	Inception Date
Class A	-1.9%	2.1%	12/15/2019
S&P/TSX	5.6%	5.8%	
Blended benchmark	10.9%	11.0%	
Class A1	-0.4%	-0.4%	12/31/2019
S&P/TSX	5.6%	5.6%	
Blended benchmark	10.9%	10.8%	
Class E	1.3%	1.3%	12/31/2019
S&P/TSX	5.6%	5.6%	
Blended benchmark	10.9%	10.8%	
Class F	-1.0%	3.0%	12/15/2019
S&P/TSX	5.6%	5.8%	
Blended benchmark	10.9%	11.0%	
Class F1	0.6%	0.6%	12/31/2019
S&P/TSX	5.6%	5.6%	
Blended benchmark	10.9%	10.8%	
Class I	0.7%	0.7%	12/31/2019
S&P/TSX	5.6%	5.6%	
Blended benchmark	10.9%	10.8%	
Class N	1.0%	1.0%	12/31/2019
S&P/TSX	5.6%	5.6%	
Blended benchmark	10.9%	10.8%	
Class O	1.8%	1.8%	12/31/2019
S&P/TSX	5.6%	5.6%	
Blended benchmark	10.9%	10.8%	

SUMMARY OF INVESTMENT PORTFOLIO

The largest holdings of the Fund as at the end of the year and the major asset classes in which the Fund was invested, are indicated below. 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'	39.9
Pender Small Cap Opportunities Fund, Class 'O'	6.9
Brookfield Asset Management Inc., Class 'A'	5.7
Baidu, Inc., ADR	4.1
Brookfield Property Partners L.P.	3.0
KKR & Co. Inc.	3.0
Burford Capital Limited	2.9
MAV Beauty Brands Inc.	2.9
Onex Corporation	2.8
Information Services Corporation, Class 'A'	2.7
ARC Resources Ltd.	2.4
Diversified Royalty Corp.	2.3
CCL Industries Inc., Class 'B'	2.1
Exor N.V.	2.1
Spartan Delta Corp.	1.9
Northrop Grumman Corporation	1.8
Kennedy-Wilson Holdings, Inc.	1.7
Better Choice Company Inc.	1.6
Fiera Capital Corporation	1.5
Hanesbrands Inc.	1.5
Alida Inc.	1.4
Starwood Property Trust, Inc.	1.4
Texas Pacific Land Trust	1.4
Corus Entertainment Inc., Class 'B'	1.3
Artis Exploration Ltd.	0.9

Summary of Composition of the Portfolio

	% of Net Assets
Mutual funds	
Pender Corporate Bond Fund, Class 'O'	39.9
Pender Small Cap Opp. Fund, Class 'O'	6.9
Total mutual funds	46.8
Equities	
Diversified financials	19.3
Real estate	7.4
Energy	6.6
Communications services	5.4
Consumer staples	4.5
Consumer discretionary	3.8
Materials	2.1
Industrials	1.8
Information technology	1.4
Health care	0.6
Utilities	0.0
Total equities	52.9
Corporate bonds	0.0
Warrants	0.0
Total investments	99.7
Cash	0.5
Other assets less liabilities	(0.2)
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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