

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

# **Pender Enhanced Income Fund**

Six months ended June 30, 2021

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 net assets of the Pender Enhanced Income Fund (the "Fund") were \$48,421,459 as at June 30, 2021 versus \$40,094,193 as at December 31, 2020. Of this \$8,327,266 increase, \$8,876,164 is attributable to positive investment performance, and \$548,898 is attributable to net unitholder redemptions of the Fund.

For the six months ended June 30, 2021 (the "period"), Class A units of the Fund generated a total return of 22.3%. 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 17.3% during the period. 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 we caution that the Fund's mandate may be significantly different from the index. Further, 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 5.8% during the period. 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 period. Please read the caution regarding forward-looking statements located on the last page of this document.

The Fund's outperformance as compared to its blended benchmark was mainly due to the contribution of the Canadian equity asset class, primarily driven by its investments in Pender mutual funds. Materials and Energy sectors were the main contributors in the Canadian equity asset class. The Fund's fixed income asset, the Pender Corporate Bond Fund, comprised approximately 38.0% of the Fund's portfolio at the end of the period, compared to 50% fixed income in the blended benchmark. The Pender Corporate Bond Fund, returned 8.2% (for Class O units), outperforming its blended benchmark, 75% ICE BofA US High Yield Index in Canadian dollars ("ICE") and 25% FTSE/TMX Canada Universe Bond Index, which returned -0.1% during the period.

#### Equity performance

Key positive individual contributors to the Fund's equity performance for the period included the bonds of Agawa Investments Ltd., and equities of Spartan Delta Corp., and ARC Resources Ltd. Conversely, Franchise Cannabis Corp., Richards Packaging Income Fund, and Artis Exploration Ltd. had an adverse impact.

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 Alibaba Group Holding Limited, ADR, Richards Packaging Income Fund, and Nintendo Co., Ltd., ADR. 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 period we sold Diversified Royalty Corp., Alida Inc., and Franchise Cannabis Corp., and one company we held was acquired by third parties or taken private: Brookfield Property Partners L.P. (announced).

#### Fixed income performance

The Fund's fixed income asset, the Pender Corporate Bond Fund, represented approximately 38.0% of the Fund's portfolio at the end of the period. The Pender Corporate Bond Fund's allocation to floating rate, rate reset and convertible securities contributed to its outperformance of its blended benchmark in the period. As treasury rates rose, we saw rate reset and floating securities prove to be good contributors. Other positive contributors to the Pender Corporate Bond Fund's returns were positions in PHI Group Inc. and Surge Energy Inc, as well as certain performers in the convertible bond space, notably Eagle Bulk Shipping Inc. Although the first half of the year remained positive, near the end of the period the Pender Corporate Bond Fund saw pressure from some of its workout names, including Federal National Mortgage Association and McDermott International, Ltd., which offset positive performance to some degree.

## 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.

In the first half of 2021, stock markets were at or near record high levels again, even as the COVID-19 global health pandemic continued. The S&P 500 finished the first half of 2021 with a total return of 12.2% versus 1.3% in the first half of 2020 while S&P/TSX Composite Index finished the first half of 2021 with a total return of 17.3% versus a loss of 7.5% in the first half of 2020.

While investors applaud the equity markets' return to strength, there are risks to the sustainability of the recovery and markets are giving mixed signals. We believe that the uncertainty that remains could cause market conditions 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, new information about the severity of virus variants and the duration of the pandemic. There is plenty of debate over how events will unfold and the situation is, naturally, beyond our control. With COVID-19 restrictions loosening around the globe, we hope to have more visibility into the effectiveness of vaccine programs, and more insight into what reopening will look like as time goes by.

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 the way 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 – 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 recent 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 are 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 as economies reopen, and that trade at significant discounts to intrinsic values.

### Fixed income outlook

The impact of COVID-19 on fixed income markets has been similar to the impact on equity markets described above. This year, we saw the market make major strides, in stark contrast to the prior year when the market was in turmoil.

The bond market continued to push higher with high yield spreads tightening to levels not seen since before the financial crisis. In the investment grade space, we saw the ICE BofA BBB US Corporate Index ("BBB") outperforming the rest of investment grades. As at June 30, 2021, the BBB Adjusted Spread tightened to 107 basis points and the BBB Effective Yield rose to 2.55% on March 31<sup>st</sup> before settling around 2.28% by June 30<sup>th</sup>. Treasury rates generally increased during the period as inflation fears arose and the Fed lightened its stance on when they would increase rates.

Looking at ICE BofA US High Yield Index, we saw continued strong performance as Option-Adjusted Spread tightened to 3.04% from 3.86% at the end of last period. This represents the lowest High Yield spread since before the Financial Crisis. ICE BofA CCC & Lower US High Yield Index ("CCC"), which represent some of the most distressed securities, also saw improvement as the CCC Effective Yield fell from 8.36% to 6.64% during the period and CCC Option-Adjusted Spread fell around 220 basis points to 5.83% compared to the treasury.

The Pender Corporate Bond Fund stayed committed to its key strategic objectives and guiding principles - where possible taking advantage of opportunities in the market to reposition as necessary. Since January it shifted more weight into more liquid Investment Grade Securities, as well as safer high yield positions, maintaining a careful eye on overall portfolio risk. The fund's duration still remains relatively short at 3.82 years, and when looking for investments, it continues to favour well covered securities. Recently the fund slightly increased its weighting in securities that may benefit in a rising rate environment, such as floating rate instruments.

### 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 less than 1% 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 22% 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 and the calendar years indicated.

<b>CLASS A</b>						
<b>Fund's Net Assets Per Unit (a)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Net assets – beginning of period	\$7.04	\$7.53	\$8.23	\$9.38	\$9.56	\$9.03
<b>Increase (decrease) from operations:</b>						
Total revenue	0.12	0.28	0.32	0.57	0.60	0.82
Total expenses	(0.09)	(0.15)	(0.28)	(0.23)	(0.21)	(0.21)
Realized gains (losses)	0.22	(0.97)	(1.12)	(1.93)	0.70	(0.11)
Unrealized gains (losses)	1.35	0.19	1.18	0.99	(0.74)	0.60
<b>Total increase (decrease) from operations (b)</b>	<b>1.60</b>	<b>(0.65)</b>	<b>0.10</b>	<b>(0.60)</b>	<b>0.35</b>	<b>1.10</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.22)	(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)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.22)</b>	<b>(0.30)</b>	<b>(0.40)</b>	<b>(0.46)</b>	<b>(0.48)</b>	<b>(0.68)</b>
<b>Net assets – end of period</b>	<b>\$8.38</b>	<b>\$7.04</b>	<b>\$7.53</b>	<b>\$8.23</b>	<b>\$9.38</b>	<b>\$9.56</b>
<b>Ratios and Supplemental Data</b>						
Total net asset value (\$000s) (a)	\$11,713	\$10,967	\$18,234	\$14,982	\$27,991	\$47,727
Number of units outstanding (a)	1,397,198	1,557,614	2,421,712	1,820,922	2,985,253	4,993,155
Management expense ratio (d)	2.25%	2.25%	3.07%	2.36%	2.07%	2.18%
Management expense ratio before absorptions (e)	2.25%	2.25%	3.07%	2.36%	2.07%	2.18%
Trading expense ratio (f)	0.07%	0.14%	0.15%	0.12%	0.08%	0.07%
Portfolio turnover rate (g)	17.51%	35.33%	194.29%	53.48%	77.82%	39.70%
Net asset value per unit (a)	\$8.38	\$7.04	\$7.53	\$8.23	\$9.38	\$9.56

<b>CLASS A1</b>			
<b>Fund's Net Assets Per Unit (a)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net assets – beginning of period	\$9.49	\$10.00	\$10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.18	0.37	-
Total expenses	(0.13)	(0.20)	-
Realized gains (losses)	(0.25)	(1.23)	-
Unrealized gains (losses)	1.21	1.03	-
<b>Total increase (decrease) from operations (b)</b>	<b>1.01</b>	<b>(0.03)</b>	<b>-</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.29)	(0.05)	-
From dividends	-	(0.10)	-
From capital gains	-	-	-
Return of capital	-	(0.25)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.29)</b>	<b>(0.40)</b>	<b>-</b>
<b>Net assets – end of period</b>	<b>\$11.30</b>	<b>\$9.49</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>			
Total net asset value (\$000s) (a)	\$3,569	\$5	\$5
Number of units outstanding (a)	315,951	525	500
Management expense ratio (d)	2.25%	2.25%	0.00%
Management expense ratio before absorptions (e)	2.25%	2.25%	0.00%
Trading expense ratio (f)	0.07%	0.14%	0.15%
Portfolio turnover rate (g)	17.51%	35.33%	194.29%
Net asset value per unit (a)	\$11.30	\$9.49	\$10.00

## FINANCIAL HIGHLIGHTS (CONTINUED)

<b>CLASS E</b>			
<b>Fund's Net Assets Per Unit (a)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net assets – beginning of period	\$9.66	\$10.00	\$10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.16	0.37	-
Total expenses	(0.03)	(0.05)	-
Realized gains (losses)	0.27	(1.24)	-
Unrealized gains (losses)	1.83	1.06	-
<b>Total increase (decrease) from operations (b)</b>	<b>2.23</b>	<b>0.14</b>	<b>-</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.30)	(0.05)	-
From dividends	-	(0.10)	-
From capital gains	-	-	-
Return of capital	-	(0.25)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.30)</b>	<b>(0.40)</b>	<b>-</b>
<b>Net assets – end of period</b>	<b>\$11.60</b>	<b>\$9.66</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>			
Total net asset value (\$000s) (a)	\$6	\$5	\$5
Number of units outstanding (a)	539	525	500
Management expense ratio (d)	0.50%	0.50%	0.00%
Management expense ratio before absorptions (e)	0.50%	0.50%	0.00%
Trading expense ratio (f)	0.07%	0.14%	0.15%
Portfolio turnover rate (g)	17.51%	35.33%	194.29%
Net asset value per unit (a)	\$11.60	\$9.66	\$10.00

<b>CLASS F</b>						
<b>Fund's Net Assets Per Unit (a)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Net assets – beginning of period	\$7.28	\$7.71	\$8.36	\$9.45	\$9.55	\$8.95
<b>Increase (decrease) from operations:</b>						
Total revenue	0.11	0.28	0.35	0.58	0.61	0.82
Total expenses	(0.05)	(0.09)	(0.22)	(0.16)	(0.13)	(0.13)
Realized gains (losses)	0.41	(0.98)	(0.90)	(1.96)	0.70	(0.11)
Unrealized gains (losses)	1.93	0.09	1.29	0.99	(0.83)	0.66
<b>Total increase (decrease) from operations (b)</b>	<b>2.40</b>	<b>(0.70)</b>	<b>0.52</b>	<b>(0.55)</b>	<b>0.35</b>	<b>1.24</b>
<b>Distributions:</b>						
From income (excluding dividends)	(0.22)	(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)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.22)</b>	<b>(0.30)</b>	<b>(0.41)</b>	<b>(0.45)</b>	<b>(0.48)</b>	<b>(0.68)</b>
<b>Net assets – end of period</b>	<b>\$8.71</b>	<b>\$7.28</b>	<b>\$7.71</b>	<b>\$8.36</b>	<b>\$9.45</b>	<b>\$9.55</b>
<b>Ratios and Supplemental Data</b>						
Total net asset value (\$000s) (a)	\$9,395	\$28,989	\$47,924	\$27,364	\$53,280	\$54,685
Number of units outstanding (a)	1,079,066	3,984,231	6,217,314	3,274,932	5,640,943	5,725,384
Management expense ratio (d)	1.25%	1.25%	2.23%	1.55%	1.26%	1.37%
Management expense ratio before absorptions (e)	1.25%	1.25%	2.23%	1.55%	1.26%	1.37%
Trading expense ratio (f)	0.07%	0.14%	0.15%	0.12%	0.08%	0.07%
Portfolio turnover rate (g)	17.51%	35.33%	194.29%	53.48%	77.48%	39.70%
Net asset value per unit (a)	\$8.71	\$7.28	\$7.71	\$8.36	\$9.45	\$9.55

## FINANCIAL HIGHLIGHTS (CONTINUED)

## CLASS F1

<b>Fund's Net Assets Per Unit (a)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net assets – beginning of period	\$9.58	\$10.00	\$10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.17	0.37	-
Total expenses	(0.08)	(0.12)	-
Realized gains (losses)	(0.09)	(0.97)	-
Unrealized gains (losses)	1.61	4.84	-
<b>Total increase (decrease) from operations (b)</b>	<b>1.61</b>	<b>4.12</b>	<b>-</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.29)	(0.05)	-
From dividends	-	(0.10)	-
From capital gains	-	-	-
Return of capital	-	(0.25)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.29)</b>	<b>(0.40)</b>	<b>-</b>
<b>Net assets – end of period</b>	<b>\$11.47</b>	<b>\$9.58</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>			
Total net asset value (\$000s) (a)	\$631	\$113	\$5
Number of units outstanding (a)	55,063	11,801	500
Management expense ratio (d)	1.25%	1.25%	0.00%
Management expense ratio before absorptions (e)	1.25%	1.25%	0.00%
Trading expense ratio (f)	0.07%	0.14%	0.15%
Portfolio turnover rate (g)	17.51%	35.33%	194.29%
Net asset value per unit (a)	\$11.47	\$9.58	\$10.00

## CLASS I

<b>Fund's Net Assets Per Unit (a)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net assets – beginning of period	\$9.60	\$10.00	\$10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.18	0.37	-
Total expenses	(0.07)	(0.11)	-
Realized gains (losses)	(0.06)	(1.24)	-
Unrealized gains (losses)	0.86	1.05	-
<b>Total increase (decrease) from operations (b)</b>	<b>0.91</b>	<b>0.07</b>	<b>-</b>
<b>Distributions:</b>			
From income (excluding dividends)	(0.29)	(0.05)	-
From dividends	-	(0.10)	-
From capital gains	-	-	-
Return of capital	-	(0.25)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.29)</b>	<b>(0.40)</b>	<b>-</b>
<b>Net assets – end of period</b>	<b>\$11.49</b>	<b>\$9.60</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>			
Total net asset value (\$000s) (a)	\$23,094	\$5	\$5
Number of units outstanding (a)	2,009,963	525	500
Management expense ratio (d)	1.10%	1.10%	0.00%
Management expense ratio before absorptions (e)	1.10%	1.10%	0.00%
Trading expense ratio (f)	0.07%	0.14%	0.15%
Portfolio turnover rate (g)	17.51%	35.33%	194.29%
Net asset value per unit (a)	\$11.49	\$9.60	\$10.00

## FINANCIAL HIGHLIGHTS (CONTINUED)

<b>CLASS N</b>			
<b>Fund's Net Assets Per Unit (a)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net assets – beginning of period	\$9.62	\$10.00	\$10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.16	0.37	-
Total expenses	(0.05)	(0.08)	-
Realized gains (losses)	0.27	(1.24)	-
Unrealized gains (losses)	1.82	1.05	-
<b>Total increase (decrease) from operations (b)</b>	<b>2.20</b>	<b>0.10</b>	-
<b>Distributions:</b>			
From income (excluding dividends)	(0.30)	(0.05)	-
From dividends	-	(0.10)	-
From capital gains	-	-	-
Return of capital	-	(0.25)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.30)</b>	<b>(0.40)</b>	-
<b>Net assets – end of period</b>	<b>\$11.54</b>	<b>\$9.62</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>			
Total net asset value (\$000s) (a)	\$6	\$5	\$5
Number of units outstanding (a)	539	525	500
Management expense ratio (d)	0.85%	0.85%	0.00%
Management expense ratio before absorptions (e)	0.85%	0.85%	0.00%
Trading expense ratio (f)	0.07%	0.14%	0.15%
Portfolio turnover rate (g)	17.51%	35.33%	194.29%
Net asset value per unit (a)	\$11.54	\$9.62	\$10.00

<b>CLASS O</b>			
<b>Fund's Net Assets Per Unit (a)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net assets – beginning of period	9.70	\$10.00	\$10.00
<b>Increase (decrease) from operations:</b>			
Total revenue	0.17	0.37	-
Total expenses	(0.01)	(0.02)	-
Realized gains (losses)	0.28	(1.24)	-
Unrealized gains (losses)	1.84	1.07	-
<b>Total increase (decrease) from operations (b)</b>	<b>2.28</b>	<b>0.18</b>	-
<b>Distributions:</b>			
From income (excluding dividends)	(0.30)	(0.05)	-
From dividends	-	(0.10)	-
From capital gains	-	-	-
Return of capital	-	(0.25)	-
<b>Total annual distributions (b), (c)</b>	<b>(0.30)</b>	<b>(0.40)</b>	-
<b>Net assets – end of period</b>	<b>\$11.68</b>	<b>\$9.70</b>	<b>\$10.00</b>
<b>Ratios and Supplemental Data</b>			
Total net asset value (\$000s) (a)	\$6	\$5	\$5
Number of units outstanding (a)	539	525	500
Management expense ratio (d)	0.00%	0.00%	0.00%
Management expense ratio before absorptions (e)	0.00%	0.00%	0.00%
Trading expense ratio (f)	0.07%	0.14%	0.15%
Portfolio turnover rate (g)	17.51%	35.33%	194.29%
Net asset value per unit (a)	\$11.68	\$9.70	\$10.00



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

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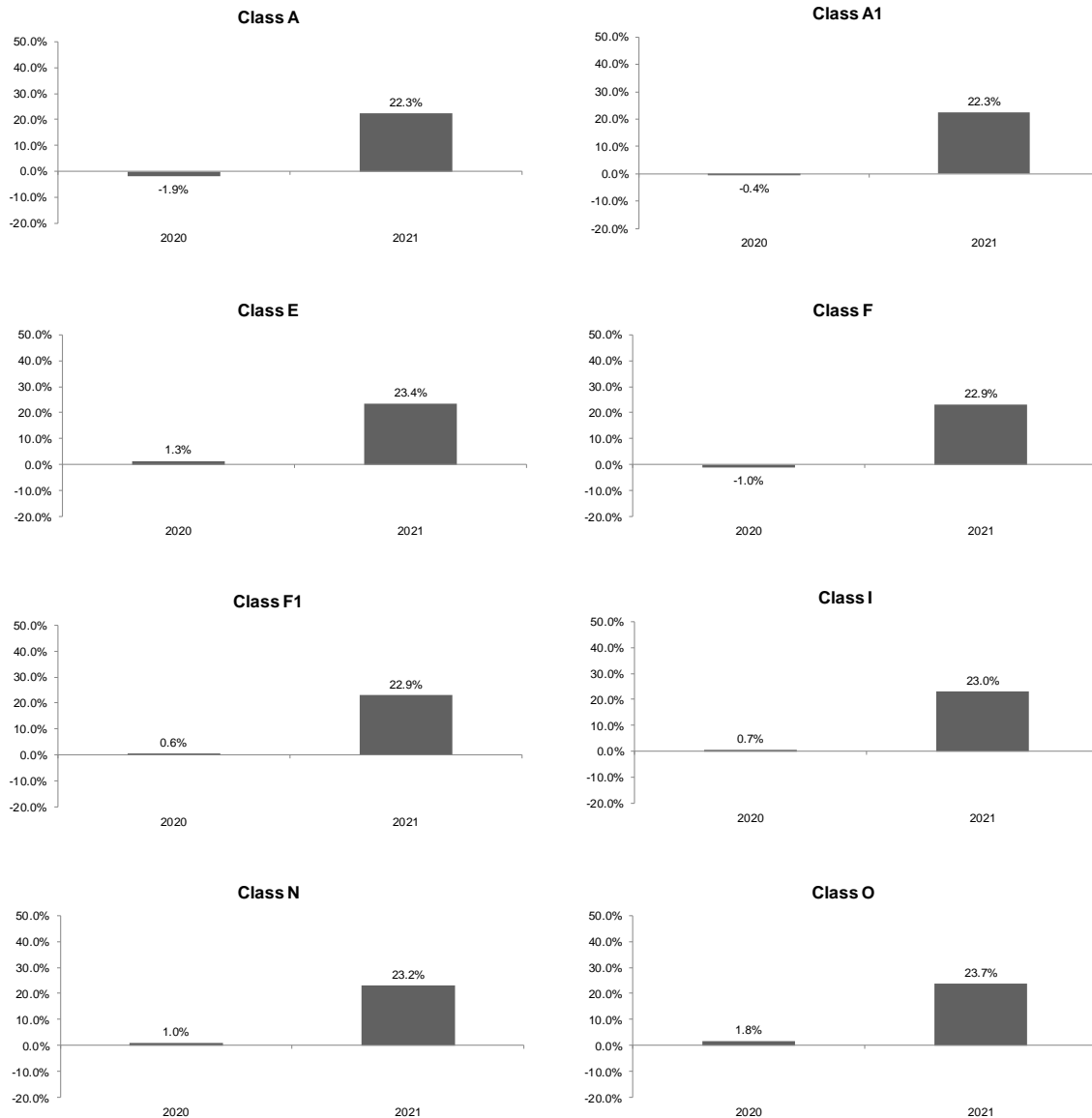
- (a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under International Financial Reporting Standards.
- (b) Net assets per unit and distributions per unit 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 period.
- (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 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.
- (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 period.
- (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 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 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.

**Period-by-Period Returns**

To illustrate how the Fund's performance has varied over time, the following bar charts show the Fund's performance for the six-month period ended June 30, 2021 and for each of the previous 12-month periods ended December 31. 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 period would have increased or decreased by the last day of the period.



**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'	38.0
Pender Small Cap Opportunities Fund, Class 'O'	7.2
Brookfield Asset Management Inc., Class 'A'	4.2
ARC Resources Ltd.	3.5
KKR & Co. Inc.	3.5
Information Services Corporation, Class 'A'	3.4
Spartan Delta Corp.	3.1
Onex Corporation	2.8
Northrop Grumman Corporation	2.7
Burford Capital Limited	2.5
Baidu, Inc., ADR	2.3
Fiera Capital Corporation, Class 'A'	2.2
Alibaba Group Holding Limited, ADR	2.1
CCL Industries Inc., Class 'B'	2.1
Nintendo Co., Ltd., ADR	1.9
Richards Packaging Income Fund	1.7
Corus Entertainment Inc., Class 'B'	1.6
Exor N.V.	1.6
Kennedy-Wilson Holdings, Inc.	1.6
Starwood Property Trust, Inc.	1.6
Texas Pacific Land Corporation	1.6
Hanesbrands Inc.	1.5
Chorus Aviation Inc.	1.2
MAV Beauty Brands Inc.	1.2
MicroStrategy Incorporated, Class 'A'	1.2

## Summary of Composition of the Portfolio

	% of Net Assets
<b>Mutual funds</b>	
Pender Corporate Bond Fund, Class 'O'	38.0
Pender Small Cap Opp. Fund, Class 'O'	7.2
<b>Total mutual funds</b>	<b>45.2</b>
<b>Equities</b>	
Diversified financials	18.5
Energy	8.9
Communications services	5.8
Real estate	5.4
Industrials	3.9
Materials	3.8
Consumer discretionary	3.6
Consumer staples	1.5
Information technology	1.2
Health care	0.0
Insurance	0.0
<b>Total equities</b>	<b>52.6</b>
Corporate bonds	0.0
Warrants	0.0
<b>Total investments</b>	<b>97.8</b>
Cash	1.7
Other assets less liabilities	0.5
<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; 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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