

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Pender Special Situations Fund

Six months ended June 30, 2021

PENDER

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 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

Results of Operations

The net assets of the Pender Special Situations Fund (the "Fund") were \$360,651 as at June 30, 2021 versus \$262,613 as at December 31, 2020. Of this \$98,038 increase, \$68,038 is attributable to positive investment performance and \$30,000 is attributable to seed capital of the Fund.

For the six months ended June 30, 2021 (the "period"), Class A units of the Fund generated a total return of 26.7%. 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 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.

Key positive individual contributors to the Fund's performance for the period included Magnet Forensics Inc., Spartan Delta Corp., and Copper Mountain Mining Corporation. Conversely, Taiga Motors Corporation (formerly Canaccord Genuity Growth II Corp.), WELL Health Technologies Corp., and Columbia Care Inc. had the largest adverse impact.

Portfolio transactions during the period were made 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 example of new investments included Nova Cannabis Inc., ATD New Holdings Inc, and Bombardier Inc., Class 'B'. 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 Nuvei Corporation, Turmeric Acquisition Corp., and Kennedy-Wilson Holdings, Inc., and one company we held was acquired by third party: CoreLogic, Inc.

As at the end of the period, the Fund was 62.3% invested in Canada, 28.7% invested in US and 9.0% in cash. The Fund's cash position may change over time as a result of portfolio transactions. The Fund's investment portfolio is concentrated and not diversified in the conventional sense. The Fund's top 10 holdings account for 37.7% of the Fund's net assets at the end of the period. This concentration may lead to varied results over any given period.

The overall sector exposure of the Fund is determined by stock selection decisions and may shift from time to time. As at June 30, 2021 we were weighted toward holdings in the Industrials, Diversified Financials, and Communication Services sectors, because, currently, those are the sectors where we believe we are finding the best investment opportunities and, equally important, because they contain businesses for which we are best equipped to assess value. These top three sectors accounted for 42.2% of the Fund at the end of the period.

Recent Developments

In the first six months of the year, we saw stock markets at or near record high levels, faring much better than they did in the same period last year. Recent periods of strong performance, combined with the still fresh memories of the crash last spring and significant demand for products and services from the reopening have resulted in volatility and price movement as demand exceeds supply. We cannot control stock prices or volatility. However, we can and do control our investment process to take advantage of the opportunities that arise from volatility. In the current environment with high market valuations, a broad reopening of developed market economies, disruptive pandemic related changes, strong corporate balance sheets, high corporate appetite for M&A (which is tracking at historically high levels) and strong demand for new growth companies in the public markets, we are seeing broad event-driven investment opportunities with favorable risk/reward potential.

We are positioning the Fund to be opportunistic and take advantage of a variety of new opportunities as they emerge. This includes a focus on finding growth companies with positive or secular tailwinds that we believe are mispriced, companies with dislocated valuations with identifiable catalysts to narrow the valuation gap, opportunities to invest in SPACs, which, in many cases are trading at a discount to trust value, M&A driven investment opportunities driven by a historically strong M&A environment and other short-term mispricing and capital markets driven trading opportunities.

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 100% of the Fund's units.

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 June 30, 2021 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 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 year indicated.

CLASS A		
Fund's Net Assets Per Unit (a)	2021	2020
Net assets – beginning of period	\$14.80	\$10.00
Increase (decrease) from operations:		
Total revenue	0.04	0.08
Total expenses	(0.04)	(0.04)
Realized gains (losses)	3.06	2.67
Unrealized gains (losses)	0.79	4.80
Total increase (decrease) from operations (b)	3.85	7.51
Distributions:		
From income (excluding dividends)	-	-
From dividends	-	(0.06)
From capital gains	-	(2.64)
Return of capital	-	-
Total annual distributions (b), (c)	-	(2.70)
Net assets – end of period	\$18.65	\$14.80
Ratios and Supplemental Data		
Total net asset value (\$000s) (a)	\$165	\$131
Number of units outstanding (a)	8,870	8,870
Management expense ratio (d)	0.00%	0.00%
Management expense ratio before absorptions (e)	2.50%	2.50%
Trading expense ratio (f)	0.81%	0.85%
Portfolio turnover rate (g)	90.87%	77.56%
Net asset value per unit (a)	\$18.65	\$14.80

CLASS D		
Fund's Net Assets Per Unit (a)	2021	
Net assets – beginning of period	\$10.00	
Increase (decrease) from operations:		
Total revenue	-	
Total expenses	-	
Realized gains (losses)	-	
Unrealized gains (losses)	(0.05)	
Total increase (decrease) from operations (b)	(0.05)	
Distributions:		
From income (excluding dividends)	-	
From dividends	-	
From capital gains	-	
Return of capital	-	
Total annual distributions (b), (c)	-	
Net assets – end of period	\$9.94	
Ratios and Supplemental Data		
Total net asset value (\$000s) (a)	\$5	
Number of units outstanding (a)	500	
Management expense ratio (d)	0.00%	
Management expense ratio before absorptions (e)	1.52%	
Trading expense ratio (f)	0.81%	
Portfolio turnover rate (g)	90.87%	
Net asset value per unit (a)	\$9.94	

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS E	
Fund's Net Assets Per Unit (a)	2021
Net assets – beginning of period	\$10.00
Increase (decrease) from operations:	
Total revenue	-
Total expenses	-
Realized gains (losses)	-
Unrealized gains (losses)	(0.05)
Total increase (decrease) from operations (b)	(0.05)
Distributions:	-
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
Total annual distributions (b), (c)	-
Net assets – end of period	\$9.94
Ratios and Supplemental Data	
Total net asset value (\$000s) (a)	\$5
Number of units outstanding (a)	500
Management expense ratio (d)	0.00%
Management expense ratio before absorptions (e)	0.53%
Trading expense ratio (f)	0.81%
Portfolio turnover rate (g)	90.87%
Net asset value per unit (a)	\$9.94

CLASS F		
Fund's Net Assets Per Unit (a)	2021	2020
Net assets – beginning of period	\$14.80	\$10.00
Increase (decrease) from operations:		
Total revenue	0.04	0.08
Total expenses	(0.04)	(0.04)
Realized gains (losses)	3.06	2.67
Unrealized gains (losses)	0.79	4.80
Total increase (decrease) from operations (b)	3.85	7.51
Distributions:	-	-
From income (excluding dividends)	-	-
From dividends	-	(0.06)
From capital gains	-	(2.64)
Return of capital	-	-
Total annual distributions (b), (c)	-	(2.70)
Net assets – end of period	\$18.65	\$14.80
Ratios and Supplemental Data		
Total net asset value (\$000s) (a)	\$165	\$131
Number of units outstanding (a)	8,870	8,870
Management expense ratio (d)	0.00%	0.00%
Management expense ratio before absorptions (e)	1.50%	1.50%
Trading expense ratio (f)	0.81%	0.85%
Portfolio turnover rate (g)	90.87%	77.56%
Net asset value per unit (a)	\$18.65	\$14.80

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS H

Fund's Net Assets Per Unit (a)	2021
Net assets – beginning of period	\$10.00
Increase (decrease) from operations:	
Total revenue	-
Total expenses	-
Realized gains (losses)	-
Unrealized gains (losses)	(0.05)
Total increase (decrease) from operations (b)	(0.05)
Distributions:	-
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
Total annual distributions (b), (c)	-
Net assets – end of period	\$9.94
Ratios and Supplemental Data	
Total net asset value (\$000s) (a)	\$5
Number of units outstanding (a)	500
Management expense ratio (d)	0.00%
Management expense ratio before absorptions (e)	2.26%
Trading expense ratio (f)	0.81%
Portfolio turnover rate (g)	90.87%
Net asset value per unit (a)	\$9.94

CLASS I

Fund's Net Assets Per Unit (a)	2021
Net assets – beginning of period	\$10.00
Increase (decrease) from operations:	
Total revenue	-
Total expenses	-
Realized gains (losses)	-
Unrealized gains (losses)	(0.05)
Total increase (decrease) from operations (b)	(0.05)
Distributions:	-
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
Total annual distributions (b), (c)	-
Net assets – end of period	\$9.94
Ratios and Supplemental Data	
Total net asset value (\$000s) (a)	\$5
Number of units outstanding (a)	500
Management expense ratio (d)	0.00%
Management expense ratio before absorptions (e)	1.37%
Trading expense ratio (f)	0.81%
Portfolio turnover rate (g)	90.87%
Net asset value per unit (a)	\$9.94

FINANCIAL HIGHLIGHTS (CONTINUED)

CLASS N	
Fund's Net Assets Per Unit (a)	2021
Net assets – beginning of period	\$10.00
Increase (decrease) from operations:	
Total revenue	-
Total expenses	-
Realized gains (losses)	-
Unrealized gains (losses)	(0.05)
Total increase (decrease) from operations (b)	(0.05)
Distributions:	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
Total annual distributions (b), (c)	-
Net assets – end of period	\$9.94
Ratios and Supplemental Data	
Total net asset value (\$000s) (a)	\$5
Number of units outstanding (a)	500
Management expense ratio (d)	0.00%
Management expense ratio before absorptions (e)	1.00%
Trading expense ratio (f)	0.81%
Portfolio turnover rate (g)	90.87%
Net asset value per unit (a)	\$9.94
CLASS O	
Fund's Net Assets Per Unit (a)	2021
Net assets – beginning of period	\$10.00
Increase (decrease) from operations:	
Total revenue	-
Total expenses	-
Realized gains (losses)	-
Unrealized gains (losses)	(0.05)
Total increase (decrease) from operations (b)	(0.05)
Distributions:	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
Total annual distributions (b), (c)	-
Net assets – end of period	\$9.94
Ratios and Supplemental Data	
Total net asset value (\$000s) (a)	\$5
Number of units outstanding (a)	500
Management expense ratio (d)	0.00%
Management expense ratio before absorptions (e)	0.00%
Trading expense ratio (f)	0.81%
Portfolio turnover rate (g)	90.87%
Net asset value per unit (a)	\$9.94

FINANCIAL HIGHLIGHTS (CONTINUED)**Footnotes:**

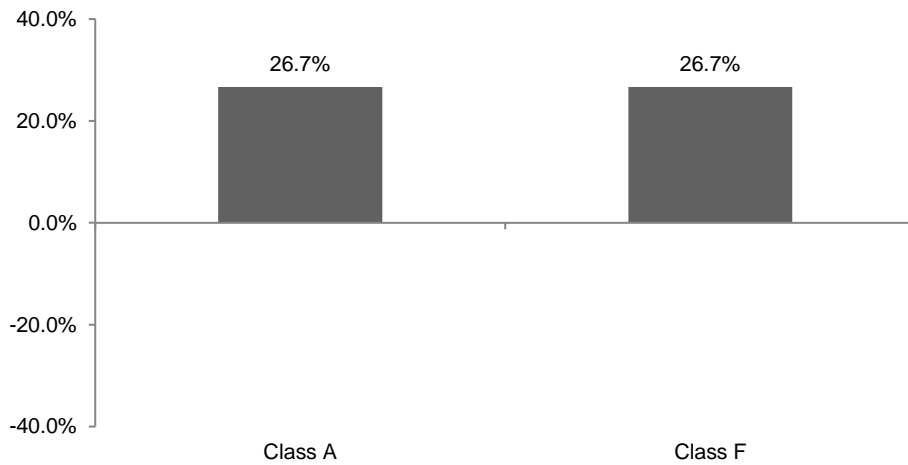
- (a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under International Financial Reporting Standards. Class D, E, H, I, N, and O commenced operations on June 25, 2021.
- (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 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 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. Past performance for Class D, E, H, I, N and O units of the Fund are not available for disclosure because they have been in operation for less than one year. Class D, E, H, I, N, and O commenced operations on June 25, 2021.

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. 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
Nova Cannabis Inc.	6.6
Spartan Delta Corp.	4.5
Burford Capital Limited	3.9
Aritzia Inc.	3.6
ATD New Holdings Inc.	3.5
MAV Beauty Brands Inc.	3.4
Maxar Technologies Inc.	3.3
Bombardier Inc., Class 'B'	3.1
Corus Entertainment Inc., Class 'B'	3.0
exactEarth Ltd.	2.8
Partners Value Investments LP	2.7
WeCommerce Holdings Ltd., Class 'A'	2.7
ARC Resources Ltd.	2.6
Eros STX Global Corporation	2.5
Copper Mountain Mining Corporation	2.4
AGF Management Limited., Class 'B'	2.3
Bausch Health Companies Inc.	2.3
GDI Integrated Facility Services Inc.	2.3
Inscape Corporation, Class 'B'	2.2
Spark Power Group Inc.	2.2
Stitch Fix, Inc., Class 'A'	2.2
Altius Renewable Royalties Corp.	2.1
Baidu, Inc., ADR	2.1
IAC/InterActiveCorp	2.1
Renren Inc., ADR	2.1

Summary of Composition of the Portfolio

	% of Net Assets
Industrials	15.1
Diversified financials	14.1
Communication services	13.0
Consumer discretionary	11.4
Energy	10.3
Consumer staples	10.0
Materials	5.5
Information technology	4.4
Utilities	4.3
Health care	3.6
Banks	2.0
Total equities	93.7
Warrants	0.2
Total investments	93.9
Cash	9.0
Other assets less liabilities	(2.9)
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.

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