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MANAGEMENT'S DISCUSSION & ANALYSIS

PENDER GROWTH FUND INC.

Three months ended March 31, 2022

PENDER

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated May 27, 2022 presents a review of the unaudited financial results for Pender Growth Fund Inc. ("Pender" or the "Company") for the three months ended March 31, 2022 and assesses factors that may affect future results. The financial condition and results of operations are analyzed and significant factors that affected Pender's statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows are discussed.

The MD&A is supplementary information and should be read in conjunction with Pender's unaudited condensed interim financial statements and the notes thereto for the three months ended March 31, 2022 (the "Condensed Interim Financial Statements") and Pender's audited financial statements and the notes thereto for the year ended December 31, 2021 (the "Annual Audited Financial Statements"). All amounts shown in this MD&A are presented in Canadian dollars unless otherwise specified.

The MD&A has been prepared by PenderFund Capital Management Ltd. (the "Manager") and is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, which is made up of three directors, a majority of whom are independent directors. The Audit Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

Additional information about Pender is available on the SEDAR website at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements about the Company, 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 Company 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 Company and economic factors, among other things. Forward looking statements in this MD&A include, without limitation: statements with respect to the future performance of the Company and the companies in which it invests (each a "Portfolio Company"), including the impact of geopolitical events, global health pandemics and other crises; concentration of the investment portfolio, future economic and market conditions, including mergers and acquisitions ("M&A") and initial public offering ("IPO") market conditions, future realization of value of and/or transactions involving its existing Portfolio Companies (including public listing or third party acquisitions of such Portfolio Companies) or potential future Portfolio Companies or other future transactions, and/or proposed transactions; the Company's investment approach, objectives and strategies, including its focus on specific sectors; the structuring of its investments and its expectations regarding the performance of certain sectors.

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. While the Manager considers its expectations, assumptions and projections to be reasonable based on information currently available to it, no assurance can be given that its beliefs and assumptions will prove to be correct. Any number of important factors could contribute to these differences, including but not limited to: the ability of the Company to source additional investments; risks related to the emerging technology sector and the high proportion of companies from this sector in the portfolio; the ability to dispose of investments in Portfolio Companies rapidly or at favourable prices; the risks inherent in a concentrated portfolio, the availability of an active trading market for the Company's Class C shares; general economic, political and public market factors in North America and internationally; interest and foreign exchange rates; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings; and the impact of inflation, increased interest rates, measures taken by central banks, geopolitical events, global pandemics and other 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 or future events, or otherwise, prior to the release of the next MD&A.

Business Strategy

Pender is an investment entity that trades on the TSX Venture Exchange (the "TSXV"). Its objective is to provide its investors with long-term capital appreciation. Pender invests opportunistically in a concentrated portfolio of securities of both public and private companies (each a "Portfolio Company"). In its quest for long-term capital appreciation, the Manager thoroughly evaluates the long-term business prospects of each potential Portfolio Company and works to understand its current value as well as its value over the long-term investment horizon. This long-term focus is a primary factor in Pender's investment strategy, regardless of whether a Portfolio Company is publicly listed or private. Pender may also invest in special situations, for example, using available cash to take advantage of opportunities with attractive internal rates of return. Pender's strategy is to buy securities that it believes are mispriced and that have the potential to compound capital, either through the convergence from current market price to intrinsic value or through the growth of intrinsic value over time, or through a combination of both.

Pender's mandate provides it with the flexibility to invest in securities that it believes to have the highest potential risk adjusted returns at the time of investment. It is important to note that Pender defines risk as a permanent loss of capital, which differs from volatility risk. This flexible mandate allows Pender to take advantage of market cycles and different security types that it believes may have the potential to benefit its shareholders. Market cycles can provide opportunity as, from time-to-time, different industries, company stages or security types may become out of favour and attractively priced. Pender may invest in both newly established and later-stage businesses across a wide array of industries and security types, depending on the opportunity. The majority of Pender's investments will be in common equity or preferred equity securities, but it may make smaller allocations to convertible debt, corporate debt or other securities.

Non-IFRS Measures

The Company prepares and releases Condensed Interim Financial Statements and Annual Audited Financial Statements in accordance with IFRS. In this MD&A, we complement those IFRS disclosures with a number of the key indicators that we use to evaluate the performance and condition of our business. These supplementary key performance indicators include Net Assets, Net Assets per Share, Management Expense Ratio and Trading Expense Ratio. They are not recognized under IFRS nor do they have a standard meaning prescribed by IFRS. We present them to enhance the reader's ability to evaluate the Company. They may not be directly comparable to similar measures used by other companies and readers are cautioned not to view the non-IFRS measures as alternatives to IFRS measures. It should be noted that the Company also used two non-IFRS measures, Reporting NAV and Reporting NAV per Share as described in the "Recent Developments" section of this MD&A

Net Assets

The Company uses two financial measures that are individually recognized under IFRS, assets and liabilities, to calculate Net Assets, which is a non-IFRS measure. The calculation of Net Assets as at March 31, 2022 and December 31, 2021 is presented in the following table:

Net Assets	March 31, 2022	December 31, 2021
Assets	$ 162,926,629	$ 226,510,729
LESS: Liabilities	16,440,323	27,867,074
EQUALS Net Assets	$ 146,486,306	$ 198,643,655

Net Assets per Share

The Company uses three financial measures that are individually recognized under IFRS, assets, liabilities and number of shares outstanding, to calculate Net Assets per Share, which is a non-IFRS measure. The calculation of Net Assets per Share, as at March 31, 2022 and December 31, 2021 is presented in the following table:

Net Assets per Share	March 31, 2022	December 31, 2021
Assets	$ 162,926,629	$ 226,510,729
LESS: Liabilities	16,440,323	27,867,074
EQUALS Net Assets	$ 146,486,306	$ 198,643,655
DIVIDED BY Number of Shares Outstanding	7,595,229	7,616,529
EQUALS Net Assets per Share	$ 19.29	$ 26.08

Management Expense Ratio

The Company uses Management Expense Ratio ("MER") to represent the total amount of operating expenses, including management fees, sales taxes and interest but excluding performance fees net of fees waived/expenses absorbed by the Manager, contingent payments, corporate taxes, commission and other portfolio transaction costs, (together, the "MER Costs") that is borne by the Class C shareholders. The MER is an annualized percentage calculated by dividing total MER Costs by the average Net Assets.

Trading Expense Ratio

The Company uses Trading Expense Ratio ("TER") to represent the total amount of commissions and other portfolio transaction costs (the "TER Costs") that is borne by the Class C shareholders. The TER is an annualized percentage calculated by dividing total TER Costs by the average Net Assets.

It should also be noted that total shareholders' equity which is calculated under IFRS for financial reporting purposes may be different from the monthly reported net asset value per share ("Reporting NAV").

Risk Factors

An investment in Pender is suitable for investors that have a high tolerance for risk and a long-term investment horizon.

Global Events

Certain significant global events in recent years have increased financial risk. In particular, the war between Russia and Ukraine, the COVID-19 global health pandemic and the move by central banks to taper monetary and fiscal stimulus and raise interest rates to control inflation. These events have had an impact on many entities and the markets for the securities that they issue and that impact may continue.

Investment results may be affected by future developments and new information that may emerge regarding Russia's invasion of Ukraine; COVID-19, its variants and the pandemic; inflation and the impact of central bank measures, and other global events, factors that are beyond the Company's control.

Investments

The Company's portfolio is materially concentrated in the shares of one publicly listed Portfolio Company, Copperleaf Technologies Inc. ("Copperleaf"), considering both its direct investment and its indirect investment through its holding of shares of PPI. At December 31, 2021, the closing price of Copperleaf was $23.85 per share. At March 31, 2022, the closing price of Copperleaf was $16.18 per share, which reduced the Company's unrealized gain on the holding, and the Company's shareholders' equity decreased by $6.79 per share in the first quarter of 2022, to $19.29 per share. The value of the Company's direct and indirect holdings of Copperleaf was $120,632,216 at March 31, 2022, which is 82.4% of the Company's total shareholders' equity. At May 27, 2022, the closing price of Copperleaf was $8.16 per share. There can be no assurance that the Company will be able to realize the value of this investment.

Historically, Pender's investment focus was on early-stage technology companies. The prospects for success of emerging technology companies are critically dependent on numerous factors that may be difficult to evaluate, especially when they have limited operating histories. Investments in emerging technology companies are inherently risky, and in the case of failed businesses, may result in the total loss of the capital invested by Pender in a Portfolio Company. The technology companies in which Pender invests will typically require additional capital, which Pender may not be able to provide, or which may not be available from other sources.

At March 31, 2022, approximately 24.2% of Pender's portfolio was comprised of investments in public companies. However, taken together with Pender's indirect exposure to public companies through its investment in Pender Private Investments Inc. ("PPI") and Pender Private Debt Opportunities Fund I Limited partnership ("PPDF"), public companies make up 90.5% of Pender's holdings. Public company securities prices are influenced by the company's performance outlook, market activity and the larger economic picture. When the economy is expanding, the outlook for many companies will generally be good and the value of their stocks may rise. The opposite may also be true. Usually, the greater the potential reward, the greater the risk.

Where the size of the Company's holding of a particular security is large relative to the market, an orderly realization of value may be relatively difficult for the Company to achieve. Consequently, the sale of such investments may be subject to delay and may only be possible at substantial discounts.

For smaller companies, start-ups, resource companies and companies in emerging sectors, both the risks and potential rewards of investment may be greater than those of larger, more established companies. Likewise, the share prices of such companies may be more volatile than those of larger, more established companies. Further, the products and services offered by technology companies, for example, may become obsolete as science and technology advance. Certain convertible securities may also be subject to interest rate risk.

Private Companies, by their nature, will generally lack liquidity and involve a longer than usual investment time horizon. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts.

At March 31, 2022, private companies comprised 75.8% of Pender's investment portfolio. This includes Pender's investment in PPI and Pender Private Debt Opportunities Fund I Limited Partnership ("PPDF"), private entities that hold public and/or private company securities. Looking through to the underlying holdings of PPI and PPDF, Pender's exposure to private companies is 9.5% of its holdings. It may be relatively difficult for Pender to dispose of its investment in any private company rapidly at favourable prices due to weak M&A markets, adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts. Losses are typically realized before gains, and Pender may be required to dispose of Portfolio Companies before any returns are realized.

Pender faces competition from many other capital providers and there can be no assurance that suitable investments will be found. Despite the number of sources of private capital, financing for early-stage technology companies remains limited and is subject to pricing and terms that are based on the performance of the investee company, among other factors, and what is available may be on terms unfavourable to existing shareholders of these companies.

The Company entered into a three-year credit facility agreement dated May 28, 2021, as amended March 31, 2022, with a Canadian chartered bank that allows it to draw up to $10 million in one or two tranches, secured against the Company's interest in the private investments held by its investee, PPI (the "Term Loan"). At March 31, 2022, the balance owing under the Term Loan is $5,000,000.

The use of leverage can magnify gains on investments, but it can also magnify losses. Interest expense and other costs may not be recovered if gains on investments are insufficient. The use of leverage may require the Company to liquidate portfolio positions when it may not be advantageous to do so, in order to meet covenants or satisfy debt obligations**.**

Other risks include the high proportion of technology company investments in the portfolio, industry concentration, and the relatively small number of investments in the portfolio.

There can be no assurance that the Company will be able to complete divestments of individual Portfolio Companies generally and/or complete an orderly realization of value (at current values or otherwise).

WOF Transaction

Effective May 28, 2021, the Company completed a transaction (the “WOF Transaction”) pursuant to which it acquired 100% of the Commercialization Series shares and 97% of the Venture Series shares of the Working Opportunities Fund (EVCC) Ltd. ("WOF"), and WOF was renamed Pender Private Investments Inc. Please also refer to the “Recent Developments” section of this MD&A. As at March 31 2022, Pender’s investment in Pender Private Investments Inc., which holds an investment portfolio comprised public companies and private companies, represented 66.7% of Pender’s aggregate investment portfolio. Investments in private companies are inherently subject to the risks and uncertainties described above.

The terms of the WOF Transaction also provided for the Company to make additional cash payments if certain conditions arose on or before February 18, 2022. Refer to the “Recent Developments” section of this MD&A for further details.

Class C Shares

The Company’s Class C Shares are not redeemable. The Class C Shares trade on the TSXV under the ticker “PTF”. An active trading market for the Class C Shares may not be available, which may significantly impact the liquidity of those shares. The Net Assets per Share of the Class C Shares fluctuates with the Net Assets per Share of the Company. Even if an active trading market for Class C Shares is available, the market price of such shares may not enable shareholders to dispose of their shares at a reasonable price relative to the Net Assets per Share of the shares.

The risks associated with an investment in Pender are more fully described in its Annual Information Form dated May 25, 2022 under the heading “Risk Factors”. Reference should also be made to the “Caution Regarding Forward-Looking Statements” section at the beginning of this document.

Recent Developments

Investments

The first quarter of 2022 was mixed for public equity markets. The quarter saw increased geopolitical risk with the Russia’s invasion of Ukraine and rising interest rates as central banks began tightening monetary conditions as they attempt to tame persistent inflation. While business conditions remained favourable in the quarter, concerns regarding the outlook for economic growth created volatility in equities as these developments were digested and added uncertainty. In the US, the S&P 500 index (in Canadian dollars) finished the quarter with a total return of -6.0%. In Canada, a rally in energy prices contributed to the strong performance of the Canadian stock market and the S&P/TSX Composite Index recorded a positive return of 3.9%.

Canadian venture capital investment activity[1] during 2021 was at record level, with $14.7 billion invested in 752 deals, more than doubling the previous year record year in 2019 recorded by the Canadian Venture Capital Association. The momentum of VC-backed exits continued in 2021, with a total of a record-setting 73 exits and $8.4B in total value, amounting to a 92% increase in the number of exits but a 15% decrease in total value.

We continue to work with our core positions, aiming to help these Portfolio Companies build their intrinsic value over the long-term. During Q1 2022, this included actively working with the management teams of Portfolio Companies to support them through their growth, to either conserve cash or accelerate development, to assist customers and to pursue new opportunities that had recently developed. Where necessary, we also supported them in optimizing their business in connection with challenges and opportunities brought on by COVID-19.

NCIB

On the February, 2022 expiration of the Company's Normal Course Issuer Bid ("NCIB"), the Company launched a new NCIB on the TSXV, under which the Company may purchase up to a maximum of 678,839 Shares, representing 10% of its public float at launch date, over the one-year period of the new NCIB. The NCIB will continue in effect until February 13, 2023, unless terminated earlier in accordance with its terms.

During the three months ended March 31, 2022, the Company continued to acquire its own Class C Shares in the market under its Normal Course Issuer Bid (the "NCIB")

WOF Transaction

Effective May 28, 2021, the Company completed the WOF Transaction pursuant to which it acquired 100% of the Commercialization Series shares and 97% of the Venture Series shares of WOF. This transaction represented a unique opportunity for Pender to acquire an investment entity holding a portfolio of good companies in the private technology space, our sector of expertise. Pender had invested in Portfolio Companies alongside WOF from time-to-time over the years and in fact, the WOF portfolio included an investment in BuildDirect.com Technologies Inc. and Copperleaf, two of our existing Portfolio Companies.

Because of the actual and perceived conflict inherent in the fact that Pender and WOF were both managed by the Manager, the special committee of the WOF board of directors required the approval of the WOF Transaction by WOF's Independent Review Committee and also engaged an independent financial advisor who provided a fairness opinion that the WOF Transaction is fair from a financial point of view to WOF's shareholders. Further, just prior to closing, WOF distributed its excess cash to its shareholders as a dividend.

In conjunction with the closing of the WOF Transaction, WOF deregistered as an "employee venture capital corporation", changed its name to Pender Private Investments Inc., made an election to be a public corporation under the Income Tax Act and transitioned from the Canadian securities regulatory regime for investment funds to the Canadian securities regulatory regime for reporting issuers who are not investment funds.

Prior to the closing of the WOF Transaction, PPI had two types of Class A shares: Venture Series (also referred to as Balanced Shares) and Commercialization Series. The Company acquired all of the Commercialization Series shares in exchange for a cash payment in the amount of $508,096, being 75%

[1] Canadian Venture Capital & Private Equity Association: 2021 Canadian Venture Capital Market Overview

of the BuildDirect.com Technologies Inc. subscription receipt financing price.

Holders of Venture Series shares had the option to sell or continue to hold their shares and 97% of the holders of Venture Series shares opted to sell, while 3% elected to continue to hold their shares. Holders of Ventures Series shares who opted to sell their shares to the Company received a cash payment equal to 43.5% of the net asset value per Venture Series share on the day prior to the date of the Arrangement Agreement, adjusted based upon the per share net asset value of the Venture Series portfolio as at the end of the business day immediately prior to May 28, 2021. The Balanced Shares (series 2) were renamed “Legacy Shares” and each outstanding Balanced Share (series 1) was exchanged for 1.18 Legacy Shares. The price paid for Balanced Shares (series 1) was effectively $1.7977, and for Balanced Shares (series 2) the price paid was $1.5157.

Those shareholders who sold their Venture Series shares ("Exiting Shareholders") had a limited and conditional right to an additional cash payment from the Company based on a percentage share of the net gains over carrying values at the effective date of the WOF Transaction from divestment activity in the Venture Series portfolio before May 18, 2022. Specifically, (a) if a divestment completed on or before November 18, 2021, Exiting Shareholders would receive their pro rata portion of 60% of the net gain; (b) if a divestment completed on or before February 18, 2022, Exiting Shareholders would receive their pro rata portion of 45% of the net gain; and (c) if a letter of intent, term sheet or binding agreement for a divestment was entered into on or before February 18, 2022 and such divestment subsequently completed by May 18, 2022, Exiting Shareholders would receive their pro rata entitlement of 20% of the net gain.

The Legacy Shares’ rights and restrictions provide for them to be redeemed by PPI on a pro rata basis at NAV upon any divestment of a portfolio investment. On October 13, 2021, as a result of the divestments of two portfolio investments, PPI redeemed approximately 58.49% of all Legacy Shares on a pro rata basis at a redemption price of approximately $6.4705 per share. The Company received a total of $63,197,947 on redemption of 9,767,089 of the Legacy Shares it held. This redemption triggered a requirement for the Company to pay an additional cash payment of $21,136,513, or $1.2661 per share, to the Exiting Shareholders and the Company made the payment effective October 13, 2021. As at March 31, 2022, the Company held approximately 97% or 6.9 million of the outstanding Legacy Shares.

Because there was no letter of intent, term sheet or binding agreement for a divestment entered into after November 18, 2021 and before February 18, 2022, the final period during which an additional exit payment could have been triggered, the right to any additional cash payment has ceased and the Exit Venture Shares were redeemed automatically in May 2022.

Under IFRS, the gain inherent in the difference between the price the Company paid for the acquired shares and the net value of the assets acquired is treated as a deferred gain and a contra asset[2], under the investments reported in the financial statements. Total shareholders’ equity per share for financial reporting purposes excludes this “Day-One Gain”. Instead, under IFRS, the gain is deferred and recognized and taken into income to the extent applicable upon a change in a factor (including time) that market participants would take into account when pricing the investment.

“Reporting NAV” and “Reporting NAV per Share” were the non-IFRS measures that represented the Company’s net assets per share including the “Day-One Gain”, i.e., including its 97% proportionate share of the full net asset value of PPI. Reporting NAV, ais a non-IFRS financial measure, does not have any

[2] A contra asset is a deduction from an asset that is reported on or below the related asset line in the financial statements. In this case, as required under IFRS, the *deferred gain* is recorded as a contra asset to the Company’s *investments*, in effect, reducing the amount shown on the investments line in the financial statements.

standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other reporting issuers. The Company used Reporting NAV and Reporting NAV per Share because we believed that they were key indicators of the value and condition of our business. We used Reporting NAV and Reporting NAV per share while they was relevant, until such time as the unrecognized Day-One Gain was no longer material relative to total shareholders' equity.

In connection with the WOF Transaction, the Company entered into a three-year credit facility agreement dated May 28, 2021, as amended March 31, 2022, with a Canadian chartered bank that allows it to draw up to $10 million one or two tranches, secured against the Company's interest in the private investments held by its investee, PPI.

In 2021, the Company drew $5,000,000 on the Term Loan at an interest rate of Prime + 5% per annum. As security for the Term Loan, the Company granted the lender a security interest in all of the shares of PPI held by the Company and in its holdings in its public company investments. On March 31, 2022, the bank swept the $5,000,000 owing under this first tranche and collected $193,027 as six months' prepayment interest. Concurrently, the Company drew down an additional $5,000,000 as a second tranche which bears interest at the rate of Prime + 2% and has a minimum one year term. The loan matures on May 28, 2024.

Outlook

A confluence of negative factors set stock markets up for a tough start to 2022: the ongoing conflict in Ukraine, rising commodity prices, supply chain issues, and China COVID shutdowns. These dynamics have led to a persistent inflationary backdrop that has pushed interest rates higher in anticipation of central bank tightening. With investors focused on inflation, the possibility of central banks tightening too aggressively and potentially sending the economy into recession has weighed on equities and risk assets more broadly. We will continue to monitor these global events and assess their impacts on the Company and our Portfolio Companies over time.

M&A markets showed strength during 2021 and we expect that to continue in 2022. On the IPO front, 2021 hit a record high for tech IPOs in Canada. With rising interest rates and less appetite for aggressive growth from investors, we believe we are going to see a slowdown in IPOs this year. Although market conditions have slowed, we continue to actively look to partner with other companies as they take steps to go public.

We are patient investors and continue to work closely with our private Portfolio Companies as well as some of our public Portfolio Companies, aiming to help them build their intrinsic value over the long-term. It is important to note that some of the best businesses are created during challenging times such as these and we are actively screening for new prospects.

We are cautious and remain fully aware that volatility may be on the horizon.

We continue to evaluate the potential impact of current global events on each of our Portfolio Companies on an ongoing basis. COVID-19, for example, continues to negatively impacted some economies around the world, including those in which our Portfolio Companies do business.

We cannot control stock prices or volatility, however, we can and do control our disciplined investment process that has helped steer us through challenging markets in the past. As we run a concentrated investment portfolio, we only need to hold a relatively small number of good companies acquired at good prices to drive performance. We continue to look for best ideas, those that could be potential disruptors or those that trade at significant discounts to intrinsic values.

PORTFOLIO OF INVESTMENTS

Our portfolio of investments reflects the fact that we are long-term, high-conviction investors while we also try take advantage of short-term “close-the-discount” opportunities where it makes sense to do so.

During the three months ended March 31, 2022, we added to the portfolio units of PPDF, a limited partnership that invests in private debt. We also bought additional securities of several existing publicly listed Portfolio Companies, such as Peloton Interactive, Inc., Sangoma Technologies Corporation, Zillow Group, Inc., and a debenture of one of our private Portfolio Companies was converted to preferred shares when we participated in a new financing round. Divestments of existing publicly listed Portfolio Companies in the quarter ended March 31, 2022 included Stitch Fix, Inc..

As at March 31, 2022, the weight of our Portfolio Company holdings was 105.0% of Net Asset Value, an increase of 0.1% over the 104.9% at December 31, 2021.

Pender’s Net Assets as at March 31, 2022, were comprised of securities of publicly listed companies (25.5%) and private unlisted companies (79.5%), with cash and other assets less liabilities making up the remainder (-5.0%). Looking through to the underlying holdings of PPI and PPDF, two private investees which themselves hold securities of public and/or private companies, the make up of the portfolio is 90.5% publicly listed company securities and 9.5% private company securities.

The significant trends and events for Pender’s Portfolio Companies in the three months ended March 31, 2022, are described in this section.

The table below presents the fair value of investments as at March 31, 2022 and December 31, 2021.

Investment	March 31, 2022	December 31, 2021
Total Investment	$ 158,889,601	$ 213,495,382
LESS: Deferred gain	5,144,185	5,144,185
Net investment	$ 153,745,416	$ 208,351,197

After recognizing $27,654,608 during the year ended December 31, 2021, the company’s recognition of the deferred gain described in the “Recent Developments” section of this MD&A was $NIL in the quarter ended March 31, 2022 and the quarter-end balance of the deferred gain was $5,144,185.

Significant Equity Investments

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company has determined that it is a significant equity investee in PPI and directly and indirectly, in Copperleaf. Accordingly, we are required to disclose the following summary financial information. The summarized financial information provided is for the comparative financial years.

Pender Private Investments Inc.

PPI is an investment entity that holds a portfolio of companies in the technology sector. The Company acquired shares of PPI during 2021 as further described in the "Recent Developments" section of this MD&A. As at March 31, 2022, the Company held 97% of the outstanding Legacy Shares of PPI as well as 100% of its outstanding Commercialization Shares.

Pender Private Investments Inc.

Selected Financial Information	March 31, 2022	December 31, 2021
Total assets	$ 134,745,185	$ 192,381,033
Total liabilities	24,104,568	36,238,467
Total shareholder' equity	110,640,617	156,142,566

	Three months ended March 31, 2022	Three months ended March 31, 2021
Total revenue	$ (57,197,850)	$ 2,717,431
Net income (loss)	(45,501,949)	2,199,012

The PPI portfolio includes investments in two entities that are also held directly by the Company, Copperleaf and BuildDirect.com Technologies Inc., as well as a number of other investments, including companies described below.

Copperleaf Technologies Inc.

Copperleaf provides decision analytics to companies managing critical infrastructure. Its enterprise software solutions leverage operational and financial data to help its clients make investment decisions that deliver the highest business value. Copperleaf is based in Vancouver and its solutions are distributed and supported by regional staff and partners worldwide.

In Q4 2021, Copperleaf completed an IPO with its common shares trading on the TSX under the symbol "CPLF". In Q1 2022, the company announced its 2021 results reporting 56% year over year revenue growth supported by direct sales execution and an expanding alliance partner ecosystem. Copperleaf's solution is being used to manage an estimated $2.6 trillion of infrastructure across multiple industry sectors, including energy, water, transportation, and government, in more than 24 countries.

As at March 31, 2022, the Company held 10.9% of Copperleaf's issued and outstanding shares, both directly and through its investment in PPI.

Copperleaf Technologies Inc.

Selected Financial Information	March 31, 2022	December 31, 2021
Total assets	$ 192,329,074	$ 206,042,380
Total liabilities	47,438,748	51,024,372
Total shareholder' equity	144,890,326	155,018,008

	Three months ended March 31, 2022	Three months ended March 31, 2021
Revenue	$ 15,569,383	$ 13,981,695
Gross profit	11,177,676	11,040,671
Net loss and comprehensive loss for the year	(10,905,702)	(1,775,309)

Other Private Unlisted Companies

We continue to work with our private Portfolio Companies, with the ongoing aim of helping them build their intrinsic value over the long-term and seek an orderly realization of that value to achieve returns for our shareholders.

General Fusion Inc.

General Fusion Inc. (“General Fusion”) is a research and development stage company with the goal of developing a practical path to commercial fusion power, providing a powerful complement to renewables and a pathway to a zero-emission grid.

General Fusion continues to work towards deployment of its power-plant scale Fusion Demonstration Plant to be built at an England-based campus of the UK Atomic Energy Authority. This initiative is intended to verify whether General Fusion’s technology can create fusion conditions in a practical and cost-effective manner at power plant relevant scales potentially leading to the subsequent design of a commercial fusion pilot plant. Building its fusion demonstration plant positions the company on a course to bring clean fusion energy onto the world’s energy systems by the early 2030s.

Jane Software Inc.

Jane Software Inc. (“Jane") is a software company with a platform that is modernizing practice management software. Jane enables physiotherapists, mental health counsellors, chiropractors, and other allied health practitioners to run their practices in a digital-first way through features such as online booking, charting, scheduling, secure video, and billing. Tens of thousands of healthcare practices globally are running on Jane and in 2021 over 73 million patient appointments were processed on the platform.

Clarius Mobile Health Corp.

Clarius Mobile Health Corp. (“Clarius”) is developing and commercializing ultra-portable ultrasound scanners, with mobile applications and cloud solutions. The scanners connect wirelessly to off-the-shelf smartphones and tablets, based on its proprietary “ultrasound system-on-chip” technology. This novel technology efficiently utilizes technical resources on the chip, thus allowing high image quality to be maintained in a small form factor.

Clarius has a strong position in the ultra-portable ultrasound market with thousands of devices sold to date and in 2021 surpassed the one million count for ultrasound exams to-date, an indication of the emergence of the point-of-care ultrasound industry. In April 2022 the company reported that it had received Health Canada's approval to sell its third generation product: HD3 high-performance handheld ultrasound scanners.

In Q1 2022, the Company converted its debt and invested an additional $500K in Clarius.

Checkfront, Inc.

Checkfront, Inc. ("Checkfront") develops cloud-based booking management application and e-commerce platforms for tour providers, accommodation managers, and rental businesses in Canada and internationally. The Checkfront platform helps businesses manage their inventories, centralize reservations and process payments. Checkfront's solution is used as an operating system by thousands of operators in over one hundred countries. Despite the industry impact of COVID-19, we believe the company is in a good position relative to industry peers who mostly operate under a commission-based revenue model. A focus for Checkfront has been the development of its infrastructure and people as the company prepared for the start of a return to travel as pandemic restrictions were being eased or lifted.

Publicly listed Companies

During the quarter ended March 31, 2022, we continued to be patient, fundamental investors. As long-term investors, we do not believe discussions around quarterly or annual gains or losses add much value. Having said that, in the following section we discuss those publicly listed investments that were key contributors to or detractors from the performance of our portfolio during the quarter ended March 31, 2022, and we highlight some of the publicly listed companies new to the portfolio this reporting period, if any.

Key positive publicly listed contributors to the Company's performance for the quarter ended March 31, 2022 included Vigil Health Solutions Inc. (TSXV:VGL), which was acquired by ASSA ABLOY in the quarter. Vigil develops and markets a proprietary technology platform combining software and hardware to provide alarm systems and solutions that guide care of and monitor seniors living in senior living communities.

On the flip side, the portfolio saw some of its publicly listed holdings incur losses during the quarter ended March 31, 2022. Stitch Fix, Inc. (NASDAQ: SFIX), Copperleaf Technologies Inc. (TSX: CPLF) and Inscape Corporation (TSX: INQ) were some of the key detractors.

Portfolio transactions during the year 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 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. During the quarter ended March 31, 2022, we did not make any new investments or sell out of any existing holdings.

Portfolio Turnover

The Company's portfolio turnover was 4.7% during the three months ended March 31, 2022 (March 31, 2021 – Nil). The portfolio turnover rate is calculated based on the lesser of purchases and proceeds of sales of securities during a period as a percentage of the average value of the Company's investments in that period. In general, lower turnover rates may result in lower trading costs.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

As long-term, high-conviction investors, our goal is to create long-term capital appreciation for our shareholders, continuing to build on the Class C Shares' 28.3% annualized return under IFRS since inception.

At Pender, we quantify our investment results in terms of the growth in Net Assets or Net Assets per Share rather than the change in shareholders' equity or the change in our listed share price. The growth in Net Assets per Share over time is primarily a result of investment performance. Like many listed investment entities, our shares may trade at prices that may not be indicative of the underlying value of our Net Assets per Share. Further, the share price may change due to factors which are unrelated to our Net Assets per Share.

During the three months ended March 31, 2022, the Company's Net Assets decreased by $52,157,349, or 26.3%, to a level of $146,486,306 from their $198,643,655 level as at December 31, 2021. This decrease was the result of share repurchases of $335,644 under the NCIB described in the "Recent Developments" section of this MD&A, as well as the Company's net loss in the period, which was primarily due to the significant impact of the decrease in the unrealized appreciation of its holdings of Copperleaf and is further described in the "Financial Performance" section of this MD&A.

During the three months ended March 31, 2022, Net Assets per Share ranged from $19.27 to $26.08, while our closing price per share on the TSXV ranged from a high of $18.00 per share to a low of $13.50. During the three months, the shares traded at prices representing a discount to Net Assets per Share from 46.32% to 16.34%.

Please refer to the "Financial Performance" and "Financial Condition" sections of this MD&A for additional details and to the "Past Performance" section of this MD&A for the performance of Class C Shares. The sectors in which the Company was invested as at March 31, 2022 are listed under the "Summary of Investment Portfolio" section of this MD&A.

SELECTED FINANCIAL INFORMATION

The following tables present selected key financial information about the Company to provide an understanding of the Company's financial condition as at March 31, 2022, compared to March 31, 2021, and for the three preceding financial years, as well as its financial performance in the three months ended March 31, 2022, compared to the three months ended March 31, 2021. This section should be read together with the Condensed Interim Financial Statements and the Annual Audited Financial Statements.

Supplemental Data

	2022 Q1	2021 Q1	2021	2020	2019
Net Assets ($000s)	146,486	46,781	198,644	47,254	33,833
Non-Redeemable Class C Shares Outstanding	7,595,229	7,628,429	7,616,529	7,740,129	8,083,329
Net Assets per Share ($)	19.29	6.13	26.08	6.11	4.19
Closing Market Price* ($)	14.25	5.50	18.00	4.35	3.75
Total Increase (Decrease) from Operations per Share ($)	(6.81)	0.02	19.90	1.84	0.31

*Market Price: Closing market price on the last trading day of the period as reported on the TSXV

Financial Performance

	2022 Q1	2021 Q1
Net realized (loss) gain	$ (3,797,801)	$ 2,589,981
Net change in net unrealized depreciation	(53,825,471)	(1,909,226)
Foreign exchange loss	(13,580)	-
Interest and securities lending income	3,642	95,526
Total revenue	(57,633,210)	776,281
Management fees	240,065	261,235
Withholding taxes, GST/HST and transactions cost	11,077	255,376
Other expenses	538,285	122,270
Total operating expenses	789,427	638,881
Net operating income (loss)	**(58,422,637)**	**137,400**
Other items:		
Performance fees	(14,943,990)	-
Performance fees waived by the Manager	5,940,727	-
Net amount	(9,003,263)	-
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	10,957,911	-
Total performance fee adjustment	1,954,648	-
Net income (loss) before income taxes recovery	**(60,377,285)**	**137,400**
Income taxes recovery		
Deferred	(8,555,580)	-
Total income taxes recovery	(8,555,580)	-
Net income (loss)	**$ (51,821,705)**	**$ 137,400**
Management expense ratio	1.95%	3.16%
Trading expense ratio	0.03%	2.10%

Financial performance for the three months ended March 31, 2022

Highlights of the Portfolio Companies contributing to Pender’s investment performance in the month ended March 31, 2022 are presented in the “Portfolio of Investments” section of this MD&A.

(a) Net realized (loss) gain

Net realized gains and losses on investments are the result of the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the three months ended March 31, 2022, the net realized loss on investments was $3,797,801 (March 31, 2021 – net realized gain $2,589,981), attributable to the partial divestment of certain publicly listed Portfolio Companies, including Peloton Interactive, Inc., Sangoma Technologies Corporation, Stitch Fix, Inc., Zillow Group Inc..

(b) Change in unrealized gains and losses

The net change in unrealized gains and losses on investments is the result of changes in the value of Portfolio Companies held throughout the period and also as a result of unrealized gains or losses being reversed upon becoming realized gains or losses upon the sale of Portfolio Companies. The net change in unrealized gains and losses is generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the three months ended March 31, 2022, Pender's net change in unrealized gains and losses on investments reflected a decrease of $53,825,471 (March 31, 2021 – loss of $1,909,226), primarily due to the fact that the trading price of the Company's most material holding, Copperleaf, decreased from $23.85 at December 31, 2021 to $16.18 per share at March 31, 2022. At May 27, 2022, the closing price of Copperleaf was $8.16 per share.

(c) Foreign exchange loss

Pender's financial statements are presented in Canadian dollars so, to the extent that it holds US dollar-denominated assets and/or liabilities, it is exposed to fluctuations in currency exchange rates which may result in foreign currency gains and/or losses. During the three months ended March 31, 2022, Pender had a foreign exchange loss of $13,580 (March 31, 2021 - $Nil). At present, the Manager believes that the level of the Company's US dollar-denominated assets does not warrant hedging the exposure to fluctuations in exchange rates.

(d) Interest and securities lending income

The Company may earn interest on its investments in securities, interest on its cash balances, and income from securities lending. The Company has $3,642 during the three months ended March 31, 2022 (March 31, 2021 - $95,526). The decrease in the period was due to the fact that the Company earned no securities lending income (March 31, 2021 - $8,041), and held no interest-bearing securities in the quarter.

(e) Management Fees

The Company pays the Manager a management fee which is calculated as a percentage of Net Assets. The fee varies from period to period in proportion to the variance in the average balance of Net Assets used in the calculation of management fees.

Overall, management fee expense was $240,065 for the three months ended March 31, 2022, which was $21,170 lower than the fee of $261,235 in the three months ended March 31, 2021. This decrease in management fees paid by the Company reflected the decrease in the level of Net Assets used in the management fee calculation. Although the Company's Net Assets were higher in the first quarter of 2022 compared to the first quarter of 2021, subsequent to the WOF Transaction, the Net Assets used in the management fee calculation excluded the value of the Company's investment in PPI.

(f) Performance fees

The Manager is entitled to a performance fee in certain circumstances. The performance fee is calculated annually as 20% of any net increase in shareholders' equity above an annual hurdle rate of 6%, subject to a high water mark. Performance fees are accrued during the year, and the total performance fee for the year as calculated on the last Valuation Date of the year, if any, and becomes payable upon the publication of the Company's annual audited financial statements. During the three months ended March 31, 2022, the

Company did not earn Performance fees (March 31, 2021 - $Nil).

In 2021, the Manager, in its sole discretion, reduced the rate of the performance fee it charged from 20% down to 15%. Of the $27,743,466 net performance fee accrued at December 31, 2021, $5,228,870 represented performance fees arising from net realized gains and this amount was paid to the Manager on April 8, 2022, upon publication of the Company's annual audited financial statements.

The remaining $22,514,596 of the December 31, 2021 accrual represented the net performance fee on the unrealized appreciation on Copperleaf. The Manager, in its sole discretion, proposed that it would not collect this portion of the performance fee to which it was entitled for 2021. Rather, it was agreed that the performance fee relating to the unrealized gains on Copperleaf will be recalculated and paid as more information is available from the sale of the majority of Copperleaf holdings. The High Water Mark will be recalculated accordingly.

During the three months ended March 31, 2022, due to a negative change in the unrealized appreciation of Copperleaf, the Company recorded a net reversal of previously accrued performance fees of $9,003,263 (March 31, 2021 - Nil).

In addition to being the manager of the Company, the Manager manages PPI and earns a performance fee from PPI in certain circumstances. The Manager has agreed to pay the Company an amount equal to the portion of the PPI performance fee it earns that is attributable to the Company's 97% ownership of PPI. As at December 31, 2021, the Company had accrued $34,150,813 as receivable from the Manager in this regard. This accrual was for performance fees on unrealized gains at PPI, which are accrued at PPI but not payable until a divestment occurs, at which time they will be recalculated based on the final Net Divestment Proceeds and paid to the Manager. During the three months ended March 31, 2022, the Company's receivable from the Manager for PPI performance fees decreased by $10,957,911 (March 31, 2021 - $Nil) to $23,192,902. (March 31, 2021 - $Nil).

The net impact of the above described $9,003,263 reversal of the performance fee due to the Manager and $10,957,911 reversal of the performance fee receivable from the Manager was a total performance fee adjustment of $1,954,648 (March 31, 2021 – $Nil).

For the year ended December 31, 2021, the high water mark was reset to $26.77 excluding the impact of the unrealized gains on Copperleaf which would otherwise have increased the high water mark by $2.96. As at March 31, 2022, the decrease in the unrealized appreciation of Copperleaf reduced that $2.96 to $1.77.

(g) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total MER Costs by the average Net Assets. Performance fees are excluded from MER Costs. The MER for the three months ended March 31, 2022 was 1.95%, 1.21% lower than the 3.16% MER during the three months ended March 31, 2021, primarily due to the increase in the average value of Net Assets exceeding the increased operating expenses during the period.

(h) Trading Expense Ratio

The TER is an annualized percentage calculated by dividing the total of all commissions and other portfolio transaction costs by the average Net Assets during the period. The small number of Portfolio Companies and the long-term investment horizon of the Company have resulted in a TER that is relatively low. The TER for the three months ended March 31, 2022 is 0.03% (March 31, 2021 – 2.10%).

(i) Deferred Income taxes recovery

During the three months ended March 31, 2022, the deferred income tax liability accrued at December 31, 2021 was decreased from $19,513,395 to $10,957,815, which resulted in a deferred income taxes recovery of $8,555,580 (March 31, 2021 - $Nil).

Financial Highlights

Net Assets per Share (Note 1)	2022 Q1	2021 Q1	2021	2020	2019
Net Assets per Share (beginning of period)	$26.08	$6.11	$6.11	$4.19	$4.14
Increase (decrease) from operations:					
Total revenue	0.00	0.01	0.04	0.23	0.09
Total expenses	0.77	(0.08)	(2.18)	(0.29)	(0.16)
Realized gains	(0.50)	0.34	6.87	0.88	0.09
Unrealized gains (losses)	(7.08)	(0.25)	15.17	1.02	0.29
Total increase (decrease) from operations	(6.81)	0.02	19.90	1.84	0.31
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	-	-	-	-	-
Net Assets per Share (end of period)	$19.29	$6.13	$26.08	$6.11	$4.19
Ratios and Supplemental Data					
Total net asset value ($000s)	$146,486	$46,781	$198,644	$47,254	$33,833
Number of shares outstanding	7,595,229	7,628,429	7,616,529	7,740,129	8,083,329
Closing market price	$14.25	$5.50	$18.00	$4.35	$3.75

Note 1 – Net assets per share is based on the number of shares outstanding at the relevant time. The increase (decrease) from operations per share is based on the weighted-average number of shares outstanding during the period. Therefore, the beginning of period net assets plus the increase (decrease) from operations shown above will not sum to the end of period net assets.

Financial Condition

		March 31, 2022		December 31, 2021
Assets				
Cash	$	2,700,628	$	10,008,858
Receivable for investments sold		443,416		-
Income taxes receivable		68,874		-
Due from related parties		4,331,191		6,243,402
Divestment proceeds receivable		1,604,505		1,671,449
Prepaid expenses		32,599		37,613
Interest receivable		-		198,210
Investments		153,745,416		208,351,197
Total assets		162,926,629		226,510,729
Liabilities				
Interest payable		224,603		31,637
Share repurchase payable		13,676		-
Accounts payable and accrued liabilities		244,229		203,940
Payable for investments purchased		-		86,976
Income tax payable		-		3,031,126
Deferred Income tax liability		10,957,815		19,513,395
Loan payable		5,000,000		5,000,000
Total liabilities		16,440,323		27,867,074
Shareholders' equity	$	146,486,306	$	198,643,655

(a) Investments

As at March 31, 2022, Pender's investments of $153,745,416 comprised publicly listed Portfolio Companies valued at $37,290,934 plus unlisted Portfolio Companies valued at $121,598,667, less the deferred gain of $5,144,185 described in the "Recent Developments" section of this MD&A.

Looking through to the underlying holdings of PPI and PPDF, two private investees which themselves hold securities of public and/or private companies, the make up of the portfolio is 90.5% publicly listed company securities and 9.5% private company securities.

The $54,605,781 decrease in the total investments balance from $208,351,197 at December 31, 2021 to $153,745,416 is primarily due to the net negative change in unrealized appreciation of Copperleaf and the realized loss from disposition of several other publicly listed companies during the period.

In accordance with IFRS, the gain inherent in the difference between the price the Company paid for the acquired shares of PPI and the net value of the assets acquired was treated as a deferred gain and deducted from the value of investments reported in the financial statements. This deferred gain has been recognized and taken into income to the extent applicable upon changes in a factor that market participants would take into account when pricing the investment, such as a public listing of shares. To date, $27,654,608 of the original deferred gain has been recognized and taken into income. The remaining deferred gain at March 31, 2022 is $5,144,185 (December 31, 2021 - $5,144,185).

(b) Cash

Pender holds cash balances to pay operating expenses and, from time to time, as a strategic asset class, to invest in securities. Cash balances are monitored by the Manager. The $2,700,628 cash balance at March 31, 2022 was $7,308,230 less than the $10,008,858 balance at December 31, 2021. This decrease in cash was due to purchase of investments in the period, the payment of expenses, working capital uses including paying the 2021 corporate income taxes and accounts payable, and share repurchases under the NCIB disclosed in the “Recent Developments” section of this MD&A.

(c) Income taxes receivable

Income taxes receivable were $68,874 at March 31, 2022, being the excess of the $3,100,000 corporate income tax instalment paid for 2021 over the $3,031,126 income tax expense for 2021 (December 31, 2021 - $Nil).

(d) Divestment proceeds receivable

At March 31, 2022, divestment proceeds of $1,604,505 (December 31, 2021 – $1,671,449) represent escrow amounts related to the 2021 disposition of the shares of a private Portfolio Company.

(e) Interest receivable

The March 31, 2022 interest receivable balance of $Nil (December 31, 2021 – $198,210) as the loans and convertible debentures giving rise to interest receivable in prior years were no longer held in the quarter.

(f) Due from related parties

The $4,331,191 balance due from related parties as at March 31, 2022 (December 31, 2021 – $6,243,402) is comprised of $23,192,902 (December 31, 2021 - $34,150,813) due from the Manager for performance fees the Manager earned from PPI offset by the $18,861,711 (December 31, 2021 - $27,907,411) amount due to the Manager for management fees, performance fees and operating expenses paid by the Manager on behalf of the Company. Please refer to the detailed information about performance fees and their recognition, in particular relating to unrealized gains on Copperleaf, in the “Financial performance in the three months ended March 31, 2022” section of this MD&A.

(g) Accounts payable and accrued expenses

The Company’s accounts payable and accrued expenses balance represent amounts due to third parties for operating expenses. During the three months ended March 31, 2022, this balance increased by $40,289 to $244,229 (December 31, 2021 - $203,940) in the normal course of business.

(h) Loan payable

In conjunction with the WOF Transaction described in the “Recent Developments” section of this MD&A, the Company entered into a three-year credit facility agreement with a Canadian chartered bank that allows it to draw up to $10 million in one or two tranches. As at March 31, 2022, the balance drawn on the facility was $5 million (December 31, 2021 - $5 million).

(i) Income taxes payable

The Company has accrued current income taxes payable of $Nil (December 31, 2021 - $3,031,126), and deferred income tax liability $10,957,815 (December 31, 2021 - $19,513,395) relating to its estimate of taxable income.

(j) Shareholders’ equity

Shareholders’ equity represents the equity in the Company owned by the holders of the 7,595,229 non-redeemable Class C common shares outstanding as at March 31, 2022 (December 31, 2021 - 7,616,529). The decrease of 21,300 Class C Common Shares during the three months ended March 31, 2022 is the result of the shares repurchased under the NCIB described in the “Recent Developments” section of this MD&A.

Cash Flows

For the three months ended March 31, 2022, Pender’s cash balance decreased by $7,308,230, primarily due to cash deployed to purchase investments, payment of operating expenses and income tax instalments, and the cost of share repurchases under the NCIB described in the “Recent Developments” section of this MD&A.

Shareholder Activity

During the three months ended March 31, 2022, the Company repurchased 21,300 shares under the NCIB described in the “Recent Developments” section of this MD&A, reducing the outstanding shares from 7,616,529 at the prior year end to 7,595,229 as at March 31, 2022.

On May 10, 2019, the Company completed a secondary offering of Class C shares on the TSXV for aggregate proceeds of $15,330,058 including the syndicate of agents’ purchase of over-allotment. The secondary offering resulted in underwriting fees of $433,075 and other offering expenses of $332,155, for total net proceeds of $14,564,828. A total of 3,930,784 Class C shares were issued, increasing total outstanding Class C shares to 8,083,329 as at December 31, 2019. The Company used the net proceeds for working capital purposes and to invest in public and private investment opportunities, in accordance with the Company’s investment strategies.

On July 24, 2019, at the annual general and special meeting, the shareholders approved a special resolution under the *Business Corporations Act* (British Columbia) altering the authorized share structure of the Company to (a) create a new class of preferred shares issuable in series; (b) delete the Class B Convertible Non-Participating shares and the Class R Senior Participating Redeemable Convertible Preference Shares, none of which were issued and outstanding; and (c) to alter the Articles of the Company to remove references to the Class R shares from the special rights and restrictions of the Class C Shares.

More information about the formation and history of the Company is available in its Annual Information Form dated May 25, 2022.

SUMMARY OF QUARTERLY RESULTS

The tables below show information about Pender's financial performance for the most recently completed eight quarters. In each quarter, the net income or loss is a result of realized and unrealized gains and losses on investments, dividend, interest and securities lending income, and operating expenses. A comparison of the information presented from quarter-to-quarter does not necessarily indicate any meaningful pattern or correlation.

	2022 Q1	2021 Q4	2021 Q3	2021 Q2
Net realized (loss) gain	$ (3,797,801)	$ 36,241,413	$ 11,759,663	$ 1,908,681
Net change in net unrealized (depreciation) appreciation	(53,825,471)	20,038,238	76,193,222	21,584,389
Foreign exchange gain (loss)	(13,580)	46,029	-	-
Interest and securities lending income	3,642	109,217	41,373	89,113
Total revenue	(57,633,210)	56,434,897	87,994,258	23,582,183
Management fees	240,065	173,086	312,570	241,069
Withholding taxes, GST/HST and transaction costs	11,077	24,025	104,523	278,726
Other expenses	538,285	294,265	301,745	270,696
Total operating expenses	789,427	491,376	718,838	790,491
Net operating income (loss)	(58,422,637)	55,943,521	87,275,420	22,791,692
Other items:				
Performance fees	(14,943,990)	16,642,497	18,774,287	1,574,504
Performance fees waived by the Manager	5,940,727	(4,160,624)	(4,693,572)	(393,626)
Net amount	(9,003,263)	12,481,873	14,080,715	1,180,878
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	10,957,911	(12,557,181)	(23,679,545)	-
Total performance fee adjustment/expenses	1,954,648	(75,308)	(9,598,830)	1,180,878
Contingent payment	-	(21,136,513)	9,377,925	11,758,588
Net income before income taxes	(60,377,285)	77,155,342	87,496,325	9,852,226
Income tax expenses (recovery)				
Current	-	3,031,126	-	-
Deferred	(8,555,580)	7,356,120	12,157,275	-
Total income tax expenses (recovery)	(8,555,580)	10,387,246	12,157,275	-
Net income (loss)	**$ (51,821,705)**	**$ 66,768,096**	**$ 75,339,050**	**$ 9,852,226**
Net Assets per Share (beginning of period)	$ 26.08	$ 17.31	$ 7.42	$ 6.13
Net Assets per Share (end of period)	$ 19.29	$ 26.08	$ 17.31	$ 7.42

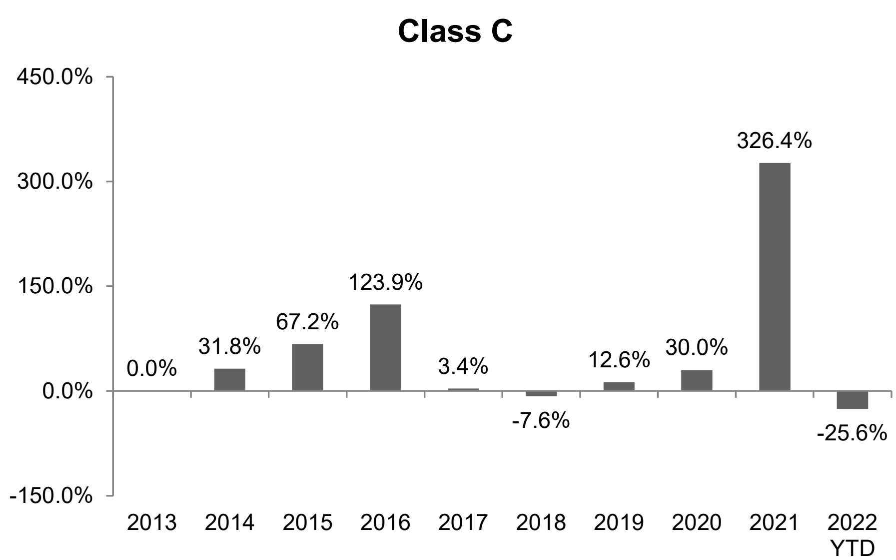
SUMMARY OF QUARTERLY RESULTS (CONTINUED)

	2021 Q1	2020 Q4	2020 Q3	2020 Q2
Net realized gain	$ 2,589,981	$ 2,968,126	$ 2,949,137	$ 437,666
Net change in net unrealized (loss) gain	(1,909,226)	5,223,971	(22,333)	4,195,453
Foreign exchange gain (loss)	-	(41,740)	16	(10,053)
Dividend, interest and securities lending income	95,526	1,475,828	109,721	120,517
Total revenue	776,281	9,626,185	3,036,541	4,743,583
Management fees	261,235	231,772	208,271	192,690
Withholding taxes, GST/HST and transaction costs	255,376	125,038	22,741	18,186
Other expenses	122,270	105,371	74,550	90,089
Total operating expenses	638,881	462,181	305,562	300,965
Net operating income	137,400	9,164,004	2,730,979	4,442,618
Other items:				
Performance fees	-	1,211,315	-	-
Performance fees waived by the Manager	-	(302,829)	-	-
Net amount	-	908,486	-	-
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	-	-	-	-
Total performance fee adjustment/expense	-	-	-	-
Net income before income taxes	137,400	8,255,518	-	-
Income tax expenses (recovery)	-	-	-	-
Net income (loss)	**$ 137,400**	**$ 8,255,518**	**2,730,979**	**4,442,618**
Net Assets per Share (beginning of period)	$ 6.11	$ 5.03	$ 4.66	$ 4.08
Net Assets per Share (end of period)	$ 6.13	$ 6.11	$ 5.03	$ 4.66

PAST PERFORMANCE

To illustrate how the Company's performance has varied over time, the following bar chart shows performance for the three months ended March 31, 2022 and for each of the previous years ended December 31. The bar charts show, in percentage terms, how much an investment made at the beginning of the period would have grown or decreased by the end of the period based on shareholders' equity. The past performance of the Company does not necessarily indicate how it will perform in the future.

Past performance for Class C Shares of the Company is calculated based on its shareholders' equity and is not based on its market price on the TSXV. It should also be noted that total shareholders' equity which is calculated under IFRS for financial reporting purposes may be different from the Reporting NAV described in the Recent Developments section of this MD&A. In addition, the information presented does not take into account sales, redemptions, distributions, income taxes payable or other charges that would have reduced returns or performance. Finally, the information presented for the years prior to 2018 relates to the period when the Company was subject to the Investment Funds Regime. Commencing December 31, 2018, the Company became subject to the Corporate Issuer Regime. Refer to the "Reporting Regime" section of this MD&A for additional details.



SUMMARY OF INVESTMENT PORTFOLIO

Pender's largest Portfolio Company holdings as at the end of the period and the major asset classes in which Pender was invested are indicated below. The investment portfolio may change due to ongoing portfolio transactions. Please also refer to the "Schedule of Investment Portfolio" in the Financial Statements.

Summary of Top 25 Holdings

	% OF NET ASSETS
Private unlisted companies*	79.5
Sangoma Technologies Corporation	4.5
Inscape Corporation, Class B	4.0
Peloton Interactive, Inc	3.5
Copperleaf Technologies Inc.[1]	2.9
Zillow Group, Inc.	2.8
GreenSpace Brands Inc.	2.1
ProntoForms Corporation	1.6
Quorum Information Technologies Inc.	1.2
Stitch Fix, Inc.	1.1
Vigil Health Solutions Inc.	0.7
Tantalus Systems Holding Inc.	0.5
Redline Communications Group Inc.	0.2
BuildDirect.com Technologies Inc.	0.2
MAV Beauty Brands Inc.	0.2

Summary of Composition of the Portfolio

	% OF NET ASSETS
Pender Related Entities	74.6
Information Technology	10.4
Health Care	5.0
Consumer Discretionary	4.7
Industrials	4.0
Real Estate	2.8
Consumer Staples	2.3
Software and Services	0.7
Technology Hardware and Equipment	0.5
TOTAL INVESTMENTS	**105.0**
Cash	1.8
Other assets less liabilities	(6.8)
TOTAL NET ASSETS	**100.0**

* The value of these companies is disclosed on an aggregate basis due to the nature of private, unlisted companies. Refer to the Financial Statements for more information. The names of these private Portfolio Companies are listed in the table below.

COMMON SHARES/UNITS
Pender Private Investments Inc., Commercialization Shares[2]
Pender Private Investments Inc., Legacy Shares[2]
Pender Private Debt Opportunities Fund I Limited Partnership

PREFERRED SHARES
Checkfront, Inc., Series A-2
Clarius Mobile Health Corp
D-Wave Systems Inc
Jane Software Inc.

[1] Copperleaf is the Company's largest single public company holding, representing 68.0% of the total portfolio, including both its direct holdings and its indirect holdings investment through its investment in Pender Private Investments Inc.

[2] Looking through to the underlying holdings of PPI and PPDF, Pender's exposure to private companies is 9.5% of its holdings.

DIVIDEND POLICY

The Company does not currently intend to pay regular dividends or other distributions but may do so if, as and when determined by the Board of Directors.

OUTSTANDING SHARE DATA

As at March 31, 2022 the Company had 7,595,229 Class C Shares outstanding.

TRANSACTIONS BETWEEN RELATED PARTIES

As at March 31, 2022, the Manager and directors and officers of the Company held 10.0% of the Company's Class C Shares, directly and/or indirectly. The aggregate investment by the Company's directors and officers in all Portfolio Companies did not exceed 1.0% of the any Portfolio Company's issued and outstanding shares.

Pender pays management fees and performance fees to the Manager for management and portfolio advisory services.

Effective May 2019, the management fee paid to the Manager was reduced to 2.50% on the first $15,000,000 of the value of Net Assets and 1.75% on the value of Net Assets above $15 million. Prior to that date, the management fee paid to the Manager was equal to 2.50% of the value of Net Assets up to $50 million and 2.00% of the value of Net Assets in excess of $50 million. The management fee is calculated and paid monthly. Subsequent to the WOF Transaction, Net Assets used in the management fee calculation excluded the value of the Company's investment in PPI. The management fee expense is $240,065 for the three months ended March 31, 2022.

Pender also pays the Manager a performance fee in certain circumstances, based on achieving certain performance criteria. The performance fee is calculated as 20% of any net increase in the value of Pender's shareholders' equity above an annual hurdle rate of 6%. The performance fee is calculated on an annual basis and is subject to a highwater mark, being the year-end value of Net Assets per Share for the most recent preceding year in which a performance fee was earned. Subject to the accumulation of the hurdle rate in years in which no performance fee is payable, the highwater mark will not be reset other than to be adjusted in the event of a subdivision or consolidation of the shares.

Performance fees are accrued during the year, and the total performance fee, if any, calculated on the last Valuation Date of the year is payable upon the publication of the Company's annual audited financial statements.

In 2021, the Manager, in its sole discretion, reduced the rate of the performance fee it charged from 20% down to 15%. As at March 31, 2022 performance fees accrued were $Nil (December 31, 2021 – $27,743,466).

Of the net 2021 performance fee accrual of $27,743,466 at December 31, 2021, $5,228,870 related to performance fees calculated upon net realized gains and this amount was paid to the Manager in April 2022. The portion of the net performance fee accrual that resulted from the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf was $18,740,203. The Manager, in its sole discretion, has agreed that this portion of the net performance will not be paid upon the publication of the financial statements. Instead, it was agreed that the performance fee relating to the unrealized gains on Copperleaf will be recalculated and paid as more information is available from the sale of the majority of Copperleaf holdings. The High Water Mark will be recalculated accordingly.

During the three months ended March 31, 2022, due to a change in the unrealized appreciation of Copperleaf, the Company recorded a net reversal of previously accrued performance fees of $9,003,263 (March 31, 2021 - Nil). The changes related to the December 31, 2021 performance fee accrual are summarized in the table below:

2021 performance fee accrual

For the three months ended March 31, 2022	Balance, beginning of period	Changes	Balance, end of period
Performance fees	36,991,288	(14,943,990)	22,047,298
Fees waived by the Manager	(9,247,822)	5,940,727	(3,307,095)
Net amount	27,743,466	(9,003,263)	18,740,203

On May 28, 2021, the Company completed the WOF Transaction, as described in the "Recent Developments" section of this MD&A, and in so doing acquired 97% of PPI, a company that is also managed by the Manager. The Manager has agreed to pay to the Company an amount equal to the portion of the PPI performance fee it earns that is attributable to the Company's 97% ownership of PPI Shares. During the period, the Company accrued the receivable from the Manager $23,192,902 as the PPI performance fee earned by the Manager that is attributable to the Company's ownership of PPI Shares.

The Manager recovers from the Company certain operating expenses incurred by it on behalf of the Company.

On January 1, 2022, the Company became a limited partner of PPDF, a related party. The Company is the sole limited partner of PPDF and PPDF is managed by a wholly owned subsidiary of the Manager.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2022, the Company was in a solid liquidity position, with cash of $2,700,628 comprising 1.8% of the value of its Net Assets, and investments in publicly traded securities of $37,290,934 or 25.5% of the value of its Net Assets.

Should the future composition of its portfolio be weighted significantly more toward investments that could not readily be sold, the Company would need to secure credit facilities or issue securities to help meet its liquidity needs. There is no immediate need to rely on these liquidity sources.

COMMITMENTS AND CONTINGENCIES

Pender may become liable for commitments and contingencies relating to litigation or claims in the normal course of business as a result of investing. The Manager is not aware of any commitments or contingencies, or any current or planned litigation or claims against it.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised.

The Company may hold financial instruments that are not quoted in an active market, including derivatives. Currently, the Company holds common and preferred shares as well as convertible debt issued by its private Portfolio Companies. Details of these holdings are set forth in the "Summary of Investment Portfolio" section of this MD&A.

The determination of the fair value of these investments is the area with the Manager's most significant accounting judgements and estimates in preparing these financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next reporting period is included in the Notes to the Financial Statements and relates to the determination of fair value of investments with significant unobservable inputs.

The Company uses widely recognized valuation models for determining the fair value of relatively simple financial instruments which are publicly traded, such as debt and equity securities, mutual fund units and warrants that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple OTC derivatives such as forward foreign currency contacts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation, and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Company uses recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and may be derived from market prices or rates or may be estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value.

In determining fair value for instruments for which there is no public market available, the Manager considers: the history and nature of the business; operating results and financial conditions; general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; comparable company trading and transaction multiples, where applicable; and other pertinent considerations. Adjustments to the carrying value of the investments may also be determined by the Manager when there is pervasive and objective evidence of a change in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and/or other developments since acquisition.

Significant unobservable inputs are developed as follows:

(i) Enterprise value:

Enterprise Value represents the amount that market participants would pay when purchasing the Portfolio Company. The Manager determines this value based on comparable arm's length transactions in shares of the applicable comparable entity, on revenue multiples, or other valuation methods as appropriate.

(ii) Revenue multiple:

Revenue multiples are selected from comparable public companies based on geographic location, industry, size, target markets, and other factors that the Manager considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the Portfolio Company by its revenue and may be further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and the specific Portfolio Company.

CHANGES IN ACCOUNTING POLICIES

The Company has determined there were no changes in accounting policy for the three months ended March 31, 2022.

FUTURE CHANGES IN ACCOUNTING POLICIES

The Company has determined there are no IFRS standards that are issued but not yet effective that could materially impact the Company's financial statements.

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