



**NOTICE OF SPECIAL MEETING AND  
MANAGEMENT INFORMATION CIRCULAR**

on behalf of

**PENDERFUND CAPITAL MANAGEMENT LTD.**

for unitholders of

**PENDER VALUE FUND II**

to be held on

**July 22, 2022**

**commencing at 9:00 a.m. (Vancouver time)**

**in a virtual-only format via live audio conference call**

June 23, 2022

June 23, 2022

Dear Unitholder:

Accompanying this letter you will find a package of materials relating to the special meeting (the “**Meeting**”) of the unitholders of the Pender Value Fund II (the “**Fund**”), whose units you hold.

As a result of heightened health and safety concerns related to the COVID-19 pandemic, and in order to mitigate risks to the health and safety of the Fund’s unitholders, employees of the manager of the Fund, PenderFund Capital Management Ltd. (“**Pender**”), and other stakeholders, the Meeting is scheduled to take place in a virtual-only format conducted via live audio conference call at **9:00 a.m.** (Vancouver time) on July 22, 2022, or as otherwise adjourned.

The enclosed documents contain important details in connection with the proposed changes in respect of the Fund’s fundamental investment objectives and fee structure, as described below. As such, we ask for your support, and recommend that you vote **IN FAVOUR** of the Proposal (as defined below).

Pender operates with the goal of protecting and growing wealth for its investors over time. To achieve this, Pender seeks to understand the quality of a business or security, obtain more value than it is paying for, deploy capital in flexible mandates and mitigate downside risk.

### **Purpose of the Meeting**

**The Meeting is being called to seek the approval of unitholders for the change in the objectives of the Fund, which will have the effect of the proposed conversion (the “Conversion”) of the Fund from a conventional mutual fund to an alternative mutual fund, and in connection therewith, a change in the fee structure of the Fund to implement a performance-based fee payable to Pender equal to 15% of the amount by which the total return of the class of units exceeds a hurdle rate of 3%, all as further described in the accompanying management information circular under the heading “Changes in Fee Structure” (collectively, the “Proposal”).**

Currently, the primary objective of the Fund is “to achieve capital growth over the long-term”. If the Proposal is approved and implemented, the primary objective of the Fund will be “to preserve capital and to generate returns through current income and capital appreciation, while being sufficiently diversified to mitigate volatility”. The reason for this change is to preserve capital, provide lower volatility and more consistent returns by utilizing alternative strategies and investing in assets that offer lower correlation to more traditional asset classes.

Further, subject to approval and implementation of the Proposal, the Fund will convert from a conventional mutual fund to an alternative mutual fund and as such will have the ability to invest in asset classes, such as physical commodities and derivatives, or use investment strategies, such as increased use of derivatives for hedging and non-hedging purposes, increased ability to sell securities short, and the ability to borrow cash for investment purposes, that are not permitted or more restricted, for conventional mutual funds.

Pender has applied to the applicable securities regulatory authorities for exemptive relief to permit increases on certain maximum limits on the use of certain strategies by alternative mutual funds managed by Pender. Proposed changes to the objectives and strategies will be further subject to receipt of the Exemptive Relief. Please see description of “**Exemptive Relief**” under the heading “*Reasons for the Proposal and Background Information*” in the accompanying management information circular.

Pender believes that the proposed Conversion is in the best interest of the Fund because the Conversion will allow Pender to pursue the Fund’s new primary objective, but with greater flexibility to permit Pender

to utilize strategies available to alternative mutual funds, including the use of derivatives, cash borrowing or short selling, subject to applicable restrictions under Canadian securities laws, all as further detailed in the accompanying management information circular. These strategies will be used in accordance with the Fund's investment objective and strategy however, during certain market conditions they may accelerate the risk of loss or a decrease in the value of your investment. Additionally, if your existing financial advisor does not meet the proficiency standards required to advise on alternative mutual funds, they may be unable to advise you in respect of your holdings of the Fund and may be required by their dealer firm to ask you to redeem your investment on or about the date that the Fund implements the Conversion.

In the circumstances, Pender believes the proposed change in the fee structure of the Fund to implement a performance-based fee payable to Pender, as described above and as further detailed in the accompanying management information circular, which change will take effect subject to and upon implementation of the Conversion, is appropriate in relation to the Fund's proposed investment mandate.

For further details on the Proposal, see "*The Proposal*" in the accompanying management information circular.

In connection with, and subject to, the approval and implementation of the Proposal, Pender also proposes to effect the following corresponding changes to the Fund: (i) to change the name of the Fund to "Pender Alternative Multi-Strategy Income Fund" in order to better reflect the Fund's new investment objective and strategy as an alternative mutual fund; (ii) to effect certain changes to the investment strategies of the Fund in order to implement the proposed investment objectives; and (iii) to effect certain additional changes in the fee structure of the Fund to reduce the management fee charged to the Fund by Pender in respect of certain unit classes of the Fund, all as further described in the accompanying management information circular. For further details, see "*The Proposal – Implementation of the Proposal*" and "*The Proposal – Reasons for the Proposal and Background Information – Changes in Fee Structure – Management Fee*" in the accompanying management information circular.

## **What are the Enclosed Documents?**

The documents contained in this package include:

(i) **Notice of Meeting of Unitholders of the Fund**

This document outlines the reasons for holding the Meeting, which is being held to consider and vote on a resolution of the unitholders of the Fund to approve the Proposal.

(ii) **Management Information Circular**

This document explains your voting rights and sets out the procedures to be carefully followed in order to attend and participate in the Meeting to be held via live audio conference call. This document also provides you with information regarding the Proposal.

(iii) **Proxy**

This document can be used for voting. As a unitholder of the Fund, you are entitled to vote on the Proposal. We encourage you to exercise this right, which you can do in one of several ways in accordance with the instructions set out in the accompanying management information circular: (1) by virtually attending and voting at the Meeting of the Fund; (2) by completing the proxy, voting for or against the Proposal, signing it and returning it as instructed; or (3) by completing the

proxy as indicated in (2) above and designating on the proxy another individual who can virtually attend and vote for you at the Meeting.

Provided that the Proposal is approved, Pender is proposing to implement the Proposal on or around August 29, 2022.

We would appreciate your support for the Proposal and encourage you to either attend the Meeting virtually or to complete and return the accompanying form of proxy for the Meeting and deposit it with Computershare Investor Services Inc. at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. Alternatively, you may vote by proxy by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 (within North America) or 1-416-263-9524 (if outside North America), or by internet using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com). Your proxy must be received by not later than 9:00 a.m. (Vancouver time) on July 20, 2022, or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of a reconvened Meeting. For specific details, please follow the instructions contained in your form of proxy and in the accompanying management information circular. If you have any questions regarding the Proposal, please contact us by calling collect to 1-866-377-4743 or by email at [info@penderfund.com](mailto:info@penderfund.com).

We thank you for your consideration of the attached and for your ongoing support.

Yours sincerely,

*(signed)* David Barr  
Chief Executive Officer & Director  
PenderFund Capital Management Ltd.

**NOTICE OF SPECIAL MEETING OF UNITHOLDERS OF  
PENDER VALUE FUND II  
(the “Fund”)**

PenderFund Capital Management Ltd. (“Pender”), in its capacity as manager of the Fund, is writing to notify you of certain proposed changes to the Fund in respect of the Fund’s fundamental investment objectives and fee structure, details of which are provided in the management information circular (the “Circular”) accompanying this Notice.

**NOTICE IS HEREBY GIVEN** that Pender, as manager of the Fund, will hold a special meeting of the Fund’s unitholders (the “Meeting”), to be held virtually via live audio conference call on July 22, 2022 at **9:00 a.m.** (Vancouver time), for the following purposes:

- (a) to consider and, if thought fit, to pass a resolution, the full text of which is set forth as Schedule “A” to the Circular (the “Proposal Resolution”), approving the change in the investment objectives of the Fund, which will have the effect of converting the Fund from a conventional mutual fund to an alternative mutual fund (the “Conversion”), and in connection therewith, a change in the fee structure of the Fund to implement a performance-based fee payable to Pender, all as further described in the Circular (collectively, the “Proposal”); and**
- (b) to transact such other business for the Fund as may properly come before the Meeting or any adjournments, postponements or continuances thereof.**

Currently, the primary objective of the Fund is “to achieve capital growth over the long-term”. If the Proposal is approved and implemented, the primary objective of the Fund will be “to preserve capital and to generate returns through current income and capital appreciation, while being sufficiently diversified to mitigate volatility”.

Subject to approval and implementation of the Proposal, the Fund will convert from a conventional mutual fund to an alternative mutual fund and will have the ability to invest in asset classes, such as physical commodities and derivatives, or use investment strategies, such as increased use of derivatives for hedging and non-hedging purposes, increased ability to sell securities short, and the ability to borrow cash for investment purposes, that are not permitted for conventional mutual funds.

Further, in connection with the Conversion, if the Proposal is approved and implemented, the Fund, which does not currently pay a performance-based fee to Pender, will be charged a performance-based fee payable to Pender equal to 15% of the amount by which the total return of the class of units exceeds a hurdle rate of 3%, all as further described in the Circular.

Additional details regarding the Fund are set out in the simplified prospectus and fund facts for the Fund, which are available at [www.penderfund.com](http://www.penderfund.com) or at [www.sedar.com](http://www.sedar.com).

**IMPORTANT NOTICE**

As a result of heightened health and safety concerns related to the COVID-19 pandemic, and in order to mitigate risks to the health and safety of the Fund’s unitholders, employees of Pender, and other stakeholders, the Meeting is scheduled to take place in a virtual-only format conducted via live audio conference call. As such, unitholders of the Fund will not be able to attend the Meeting in person and the Fund strongly encourages all unitholders who wish to attend and participate in the Meeting to carefully follow the procedures described in the Circular to ensure they can attend and participate in the Meeting via live audio conference call.

## Voting

Unitholders of the Fund holding in aggregate one or more whole units of the Fund and duly appointed proxy holders may participate in the Meeting via a live teleconference. Specifically, such unitholders and duly appointed proxy holders who have properly pre-registered prior to the Meeting as outlined below, will be able to ask questions of management of Pender, as manager of the Fund, via the live teleconference at the conclusion of the Meeting. All other unitholders and stakeholders can attend the Meeting as a guest via teleconference without pre-registering as outlined below, but will not be permitted to ask questions at the conclusion of the Meeting. The Circular and a form of proxy accompany this Notice. **All unitholders of the Fund who are entitled to vote at the Meeting are strongly encouraged to cast their vote by submitting their completed form of proxy prior to the Meeting as described in the Circular.**

**Only unitholders of record holding in aggregate one or more whole units of the Fund as of the close of business on June 10, 2022 (the “Record Date”) will be entitled to notice of and to vote at the Meeting.** In order to vote during and to be permitted to ask questions at the conclusion of the Meeting, such unitholders and duly appointed proxy holders must pre-register via the following link prior to 9:00 a.m. (Vancouver time) on July 20, 2022 or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time and date of the adjourned or postponed Meeting:

<https://services.choruscall.ca/DiamondPassRegistration/register?confirmationNumber=10019519&linkSecurityString=1816ca042a>

After the pre-registration has been completed, such unitholders of the Fund and duly appointed proxy holders will be assigned a unique PIN and dial-in telephone number. It is recommended that you attempt to connect at least ten minutes prior to the scheduled start time of the Meeting.

For all other unitholders of the Fund and stakeholders wishing to attend the Meeting by teleconference, but without the ability to ask questions of management of Pender, as manager of the Fund, please dial the following toll-free or international toll number approximately ten minutes prior to the start of the Meeting and ask the operator to join the special meeting of unitholders of the Fund:

Toll-free (Canada/U.S.): +1-800-319-4610 or

Toll (international): +1-604-638-5340

If you are a unitholder of the Fund entitled to attend, participate and vote at the Meeting, you may do so via live audio conference call, provided you comply with all of the requirements set out in the Circular.

**Unitholders who are entitled to vote but are unable to attend the Meeting virtually are requested to complete, date, sign and return the accompanying form of proxy for the Meeting and deposit it with Computershare Investor Services Inc. at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. Alternatively, you may vote by proxy by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 (within North America) or 1-416-263-9524 (if outside North America), or by internet using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com). Your proxy must be received by not later than 9:00 a.m. (Vancouver time) on July 20, 2022, or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of a reconvened Meeting. For specific details, please follow the instructions contained in your form of proxy.**

**While the option is available to unitholders of the Fund who are entitled to attend and vote at the Meeting to do so via live audio conference call by following the instructions set out in this Notice and in the accompanying Circular, all such unitholders of the Fund are strongly encouraged to vote by proxy in advance of the Meeting rather than voting during the Meeting via live audio conference call.**

The approval of the Proposal will require the affirmative vote of not less than a majority of the votes cast in respect of the Proposal Resolution. In order for the Meeting of the Fund to be duly constituted, a quorum must be established. Quorum for the Fund requires one or more unitholders of the Fund entitled to vote at the Meeting whether virtually or by proxy who hold, in the aggregate, at least 10 units entitled to be voted at the Meeting.

**Notwithstanding the receipt of such unitholder approval, Pender may, in its discretion as manager of the Fund, decide not to proceed with, or delay, the implementation of the Proposal for any reason.**

<p><b>Pender, as manager of the Fund, recommends that you vote <u>IN FAVOUR</u> of the Proposal Resolution.</b></p>
---

On June 13, 2022, Pender presented the Proposal to the Independent Review Committee (“**IRC**”) of the Fund for its review. The IRC has determined, after reasonable inquiry, that the Proposal would achieve a fair and reasonable result for the Fund, if implemented, and has provided to Pender a positive recommendation in respect of the Proposal.

#### **Shareholder Questions**

Shareholders who have questions or need assistance with respect to the pre-registration process as set forth in this Notice and the accompanying Circular or accessing or attending the virtual Meeting should contact [canada@choruscall.com](mailto:canada@choruscall.com), Attention: Gaylene Van Dusen

DATED at Vancouver, British Columbia, this 23 day of June, 2022.

**PENDERFUND CAPITAL MANAGEMENT LTD.**, as manager of the Fund

*(signed)* David Barr  
Chief Executive Officer & Director

## TABLE OF CONTENTS

LETTER TO UNITHOLDERS .....	i
NOTICE OF SPECIAL MEETING OF UNITHOLDERS OF PENDER VALUE FUND II .....	I
MANAGEMENT INFORMATION CIRCULAR.....	1
IMPORTANT NOTICE.....	1
FORWARD-LOOKING STATEMENTS .....	1
SOLICITATION OF PROXIES .....	2
APPOINTMENT AND REVOCATION OF PROXIES .....	2
EXERCISE OF DISCRETION BY PROXIES .....	3
VOTING VIRTUALLY VIA LIVE AUDIO CONFERENCE CALL .....	3
Shareholder Questions .....	4
PURPOSE OF THE MEETING .....	4
Required Unitholder Approval.....	4
THE PROPOSAL .....	4
Reasons for the Proposal and Background Information.....	6
Implementation of the Proposal .....	11
Costs of the Proposal.....	13
Canadian Federal Income Tax Considerations of the Proposal .....	13
MANAGEMENT OF THE FUND.....	14
Manager .....	14
Portfolio Management.....	16
Trustee.....	17
INTEREST OF PENDER IN THE PROPOSAL.....	17
VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF .....	17
AUDITOR.....	18
ADDITIONAL INFORMATION.....	18
CERTIFICATE.....	19
SCHEDULE “A” PROPOSAL RESOLUTION.....	20

## MANAGEMENT INFORMATION CIRCULAR

### PENDER VALUE FUND II (the “Fund”)

#### IMPORTANT NOTICE

As a result of heightened health and safety concerns related to the COVID-19 pandemic, and in order to mitigate risks to the health and safety of the Fund’s unitholders, employees of the manager of the Fund, PenderFund Capital Management Ltd. (“Pender”, “we”, “us” or “our”), and other stakeholders, the special meeting of unitholders of the Fund (the “Meeting”) is scheduled to take place in a virtual-only format conducted via live audio conference call on July 22, 2022 at 9:00 a.m. (Vancouver time), or as otherwise adjourned.

**Only unitholders of record holding in aggregate one or more whole units of the Fund as of the close of business on June 10, 2022 (the “Record Date”) will be entitled to notice of and to vote at the Meeting.**

**As the Meeting will take place in a virtual-only format conducted via live audio conference call, unitholders of the Fund will not be able to attend the Meeting in person and the Fund strongly encourages all unitholders of the Fund who are entitled to vote at the Meeting to do so by proxy in advance of the Meeting by following the instructions in this management information circular (the “Circular”) and the form of proxy, or, for those who are entitled to and wish to attend and participate in the Meeting, to carefully follow the procedures described in this Circular to ensure they can attend and participate in the Meeting virtually via live audio conference call.**

#### FORWARD-LOOKING STATEMENTS

Certain statements included in this Circular may constitute “forward-looking statements”. All statements, other than statements of historical fact, included in this Circular that address future activities, events, developments or financial performance, are forward-looking statements. These forward-looking statements can be identified by the use of forward-looking words such as “may”, “should”, “will”, “could”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “future” or “continue” or the negatives thereof or similar variations. These forward-looking statements are based on certain assumptions and analyses made by Pender and its management in light of their experiences and their perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate in the circumstances. Unitholders are cautioned not to put undue reliance on such forward-looking statements, which reflect the analysis of management of Pender only as of the date of this Circular and are not a guarantee of performance. Such forward-looking statements are subject to a number of uncertainties, assumptions, risks and other factors, many of which are outside the control of Pender that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks include the risks disclosed in the most recent simplified prospectus of the Fund, which is available at [www.penderfund.com](http://www.penderfund.com) and [www.sedar.com](http://www.sedar.com), and the risks set out in this Circular under the heading “The Proposal – Reasons for the Proposal and Background Information”. All forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth above. Pender undertakes no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law.

## SOLICITATION OF PROXIES

The information contained in this Circular is provided by Pender, in its capacity as manager of the Fund, in connection with the solicitation of proxies on behalf of the Fund for use at the Meeting.

The Meeting is to be held virtually via live audio conference call on July 22, 2022 at 9:00 a.m. (Vancouver time) to consider and vote on a resolution to approve the Proposal (as defined below) described within this Circular. It is expected that the solicitation of proxies will principally be done by mail. However, the directors, officers, employees or agents of Pender may also solicit proxies personally, by telephone or by facsimile transmission. The cost of the solicitation will be borne by Pender. The Fund is not relying on the notice-and-access delivery procedures outlined in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators to distribute copies of proxy-related materials in connection with the Meeting.

The approval of the resolution in respect of the Proposal will require the affirmative vote of not less than a majority of the votes cast at the Meeting in respect thereof. In order for the Meeting to be duly constituted, a quorum must be established. Quorum for the Fund requires one or more unitholders of the Fund entitled to vote at the Meeting whether virtually or by proxy who hold, in the aggregate, at least 10 units entitled to be voted at the Meeting.

Pender has engaged Computershare Investor Services Inc. (“**Computershare**”) as its proxy agent to receive and tabulate proxies of unitholders of the Fund. Unitholders who are entitled to vote but are unable to attend the Meeting virtually are requested to complete, date, sign and return the accompanying form of proxy for the Meeting and deposit it with Computershare at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. Alternatively, you may vote by proxy by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 (within North America) or 1-416-263-9524 (if outside North America), or by internet using the 15 digit control number located at the bottom of your proxy at [www.investorvote.com](http://www.investorvote.com). Your proxy must be received by not later than 9:00 a.m. (Vancouver time) on July 20, 2022, or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of a reconvened Meeting. For specific details, please follow the instructions contained in your form of proxy.

## APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors or officers of Pender. **You have the right to appoint some other person (who need not be a unitholder of the Fund) to attend or act on your behalf at the Meeting by striking out the printed names and inserting the name of such other person in the blank space provided in the form of proxy, or by completing another proxy in the proper form. To be valid, completed proxies must be received by Computershare in accordance with the instructions provided above.**

If you submit a proxy, you may revoke it in relation to any matter, provided a vote has not already been taken on that matter. You can revoke your proxy by:

- (i) completing and signing a proxy bearing a later date and depositing it as described above;
- (ii) depositing a written revocation executed by you, or by your attorney, who you have authorized in writing to act on your behalf, at the above address at any time up to and including the last business day preceding the day of the Meeting, or any postponement(s), adjournment(s) or continuance(s), at which the proxy is to be used;

- (iii) participating and voting at the virtual Meeting after carefully following the instructions set out in this Circular; or
- (iv) any other manner permitted by law.

### EXERCISE OF DISCRETION BY PROXIES

The management representatives designated in the enclosed form of proxy will vote units of the Fund for which they are appointed proxy holder in accordance with your instructions as indicated on the form of proxy.

**In the absence of such direction, units of the Fund will be voted by the management representatives in favour of the Proposal Resolution (as defined below).**

The enclosed form of proxy confers discretionary authority on the designated management representatives relating to amendments to or variations of matters identified in the Notice attached to this Circular and relating to other matters which may properly come before the Meeting. At the date of this Circular we are not aware of any such amendments, variations or other matters.

### VOTING VIRTUALLY VIA LIVE AUDIO CONFERENCE CALL

For unitholders of the Fund or their duly appointed proxy holders who are entitled to and wish to attend and participate in the virtual Meeting, such unitholders and duly appointed proxy holders must pre-register with Chorus Call (telephone voting service provider) via the following link prior to 9:00 a.m. (Vancouver time) on July 20, 2022 or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time and date of the adjourned or postponed Meeting:

<https://services.choruscall.ca/DiamondPassRegistration/register?confirmationNumber=10019519&linkSecurityString=1816ca042a>

After the pre-registration has been completed, such unitholders and duly appointed proxy holders will be assigned a unique PIN and dial-in telephone number. It is recommended that you attempt to connect at least ten minutes prior to the scheduled start time of the Meeting.

If you are such a unitholder of the Fund or duly appointed proxy holder and have been assigned pre-registration details by Chorus Call, you will be able to vote and submit questions during the Meeting using the assigned teleconference number and access code. **It is important that you are connected to the teleconference at all times during the Meeting in order to vote when balloting commences. It is your responsibility to ensure connectivity for the duration of the Meeting. Unitholders of the Fund should note that if they participate and vote on any matter at the virtual Meeting, they will revoke any previously submitted proxy.**

**While this option is available to unitholders of the Fund, the Fund strongly encourages all unitholders of the Fund to vote by proxy in advance of the Meeting, prior to the proxy cut-off time at 9:00 a.m. (Vancouver time) on July 20, 2022, by following the instructions set out in this Circular and the form of proxy rather than voting during the Meeting via live audio conference call.**

For all other unitholders and stakeholders wishing to attend the Meeting by teleconference, but without the ability to vote during the Meeting via live audio conference call or ask questions of management at the conclusion of the Meeting, please dial the following toll-free or international toll number approximately ten minutes prior to the start of the Meeting and ask the operator to join the special meeting of unitholders of the Fund:

Toll-free (Canada/U.S.): +1-800-319-4610 or

Toll (international): +1-604-638-5340.

### Shareholder Questions

Shareholders who have questions or need assistance with respect to the pre-registration process as set forth in this Circular or accessing or attending the virtual Meeting should contact [canada@choruscall.com](mailto:canada@choruscall.com), Attention: Gaylene Van Dusen

### PURPOSE OF THE MEETING

The purpose of the Meeting is to consider and, if thought advisable, adopt the Proposal Resolution to approve the proposal to change the fundamental investment objectives of the Fund to reflect the conversion from a conventional mutual fund to an alternative mutual fund, and in connection therewith, change the fee structure of the Fund to implement a performance-based fee, all as more particularly described in this Circular (collectively, the “**Proposal**”) and to transact such other business as may come before the Meeting.

A copy of the text of the Proposal Resolution authorizing the Proposal in respect of which all unitholders of the Fund are entitled to vote is attached in Schedule “A” to this Circular.

Unitholders of the Fund may obtain, at no cost, the simplified prospectus of the Fund, the most recent interim and annual financial statements, fund facts and management reports of fund performance by contacting us at Suite 1830 - 1066 West Hastings Street, Vancouver, BC V6E 3X2, by email at [info@penderfund.com](mailto:info@penderfund.com) or by telephone at 1-866-377-4743. You may also find these documents and other information about the Fund at [www.penderfund.com](http://www.penderfund.com) or at [www.sedar.com](http://www.sedar.com).

### Required Unitholder Approval

In order to give effect to the resolution to approve the Proposal, as set out in Schedule “A” and described in this Circular (the “**Proposal Resolution**”), the Proposal Resolution must be approved by a majority of the votes cast at the Meeting (i.e., more than 50%). For additional information regarding your voting rights see the section of this Circular titled “*Voting Securities and Principal Holders Thereof*”.

### THE PROPOSAL

Pursuant to the Proposal, Pender is proposing to change the fundamental investment objectives of the Fund to reflect the conversion from a conventional mutual fund to an alternative mutual fund (the “**Conversion**”), as follows”

Current Fundamental Investment Objectives	Proposed Fundamental Investment Objectives
The primary objective of the Fund is to achieve capital growth over the long-term, while being sufficiently diversified to mitigate volatility. The Fund will invest primarily in Canadian and US securities but may also invest in foreign securities. The Fund will focus on businesses that have the potential for growth over the long term and have securities that trade at favourable prices.	The objective of the Fund is to preserve capital and to generate returns through current income and capital appreciation, while being sufficiently diversified to mitigate volatility. The Fund will make investments permitted by applicable securities laws for alternative mutual funds, primarily in North America and may also invest in foreign securities.

	<p><b>[Alternatively, if the Exemptive Relief is obtained (see “Notes” below):</b></p> <p>The objective of the Fund is to preserve capital and to generate returns through current income and capital appreciation, while being sufficiently diversified to mitigate volatility. The Fund will invest primarily in North American securities and may also invest in foreign securities.</p> <p>The Fund falls within the definition of an “alternative mutual fund” as set out in National Instrument 81-102 – <i>Investment Funds</i> of the Canadian Securities Administrators (“<b>NI 81-102</b>”) as it is permitted, as modified by exemptive relief received by the Fund, to use strategies generally prohibited by other types of mutual funds, such as the ability to invest more than 10% of its NAV in securities of a single issuer, either directly or through the use of specified derivatives, the ability to borrow cash, up to 100% of its NAV, to use for investment purposes, the ability to sell securities short (the combined level of cash borrowing and short selling is limited to 100% of its NAV in aggregate), and the ability to use leverage through the use of cash borrowing, short selling and specified derivatives. The maximum aggregate exposure to these sources of leverage, as calculated in accordance with section 2.9.1 of NI 81-102, shall not exceed 300% of the Fund’s NAV.]</p>
--	---

**Notes:**

As a conventional mutual fund, the Fund is currently permitted to engage in short selling and cash borrowing in accordance with and subject to the limitations set out in NI 81-102. For example, among other things, the Fund, as a conventional mutual fund, is currently subject to certain limits under NI 81-102 on the use of cash borrowing, a maximum limit on short selling equal to 20% of its NAV and a combined maximum limit on cash borrowing and short selling equal to 50% of its NAV in aggregate. If the Proposal is approved and implemented, the maximum limits on the Fund’s use of these strategies would be increased, as further described under the heading “*Reasons for the Proposal and Background Information*”.

Pender has applied to the applicable securities regulatory authorities for exemptive relief to permit increases on certain maximum limits on the use of certain strategies by alternative mutual funds managed by Pender. Proposed changes to the objectives will be further subject to receipt of the Exemptive Relief (as defined under the heading “*Reasons for the Proposal and Background Information*”).

***Proposed Performance Fee***

In connection with the Conversion, pursuant to the Proposal, the Fund is proposing to implement a performance-based fee in relation to each class of units that is equal to 15% of the amount by which the total return of the class of units exceeds a hurdle rate of 3%, for the period since the performance fee was last paid, provided that the total return of the relevant class of units for such period exceeds the previous high-water mark (as described below under the heading “*The Proposal – Reasons for the Proposal*”).

*and Background Information – Changes in Fee Structure – Performance Fee”*) (the “**Proposed Performance Fee**”). For further details, see “*The Proposal – Reasons for the Proposal and Background Information – Changes in Fee Structure*”.

## **Reasons for the Proposal and Background Information**

### ***The Conversion***

Pender, the manager of the Fund, operates with the goal of protecting and growing wealth for its investors over time. To achieve this, Pender seeks to understand the quality of a business or security, obtain more value than it is paying for, deploy capital in flexible mandates and mitigate downside risk.

Pursuant to the Proposal, Pender is proposing to amend the fundamental investment objectives of the Fund to reflect the conversion from a conventional mutual fund to an alternative mutual fund (the “**Conversion**”).

Currently, the primary objective of the Fund is “to achieve capital growth over the long-term”. If the Proposal is approved and implemented, the primary objective of the Fund will be “to preserve capital and to generate returns through current income and capital appreciation, while being sufficiently diversified to mitigate volatility”. The reason for this change is to preserve capital, provide lower volatility and more consistent returns by utilizing alternative strategies and investing in assets that offer lower correlation to more traditional asset classes.

Pender believes that the proposed Conversion is in the best interest of the Fund because Conversion will allow Pender to pursue the Fund’s new primary objective, but with greater flexibility to permit Pender to utilize strategies available to alternative mutual funds, including the use of derivatives, cash borrowing or short selling, subject to applicable restrictions under Canadian securities laws. The Fund will retain approximately \$74 million of existing tax losses. These losses may permit the Fund to receive a more favourable tax treatment in the hands of its unitholders. The risk rating of the Fund is currently high and is expected to remain the same or to be lower.

If the Proposal is approved and implemented, the Fund, as an “alternative mutual fund”, would be permitted under applicable securities laws to invest in asset classes such as physical commodities and specified derivatives and to use strategies generally prohibited for other types of mutual funds. Further, Pender has applied to the applicable securities regulatory authorities for exemptive relief to permit increases on certain maximum limits on the use of certain strategies by alternative mutual funds management by Pender (the “**Exemptive Relief**”). Accordingly, if the Proposal is approved and implemented, the Fund, as an “alternative mutual Fund” management by Pender, would be permitted to use certain strategies generally prohibited for other types of mutual funds, such as, among other things:

- (a) the ability to invest up to 20% of its net asset value (“**NAV**”) in securities of a single issuer (rather than 10% for conventional mutual funds);
- (b) the ability to borrow cash, when aggregated with the value of all outstanding borrowing, up to 50% of its NAV (or, subject to receipt of the Exemptive Relief, up to 100% of its NAV) to use for investment purposes;
- (c) the ability to sell securities short (provided that the aggregate market value of the securities of the issuer of the securities sold short, other than government securities, does not exceed 10% of its NAV and the aggregate market value of the securities sold short does not exceed 50% of its NAV (or, subject to receipt of the Exemptive Relief, up to 100% of its NAV)); and

- (d) the ability to use leverage through the use of cash borrowing, short selling and specified derivatives (subject to a combined maximum limit on cash borrowing and short selling equal to 50% of its NAV, in aggregate) (or, subject to receipt of the Exemptive Relief, up to 100% of its NAV), provided, however, that the maximum aggregate exposure to the foregoing sources of leverage (as calculated in accordance with section 2.9.1 of National Instrument 81-102 – *Investment Funds* of the Canadian Securities Administrators (“**NI 81-102**”)) shall not exceed 300% of the Fund’s NAV.

These strategies will be used in accordance with the Fund’s investment objective and strategy however, during certain market conditions they may accelerate the risk of loss or a decrease in the value of your investment. Additionally, if your existing financial advisor does not meet the proficiency standards required to advise on alternative mutual funds, they may be unable to advise you in respect of your holdings of the Fund and may be required by their dealer firm to ask you to redeem your investment on or about the date that the Fund implements the Conversion.

If the Proposal is approved and implemented, the following increased risks may apply to an investment in the Fund:

#### *Concentration Risk*

There are risks associated with any mutual fund that concentrates its investments in a particular company or a few companies. As an alternative mutual fund, the Fund will be permitted under NI 81-102 to invest up to 20% of its NAV in securities of a single issuer. Concentrating investments allows a fund to focus on a particular company’s potential, but it also means that the value of a fund tends to be more volatile than the value of a more diversified fund because a concentrated fund’s value is affected more by the performance of the companies in which it has concentrated its investments.

#### *Derivative Risk*

A derivative is a contract or security whose value and cash flow pattern is derived from another underlying security, such as a stock or bond, or from an economic indicator such as an interest rate or stock market index. For example, two of the most common derivatives are forward contracts and options, which are described below.

A forward contract is an agreement to buy and sell currency, commodities or securities at an agreed price for future delivery.

An option gives the buyer the right, but not the obligation, to buy or sell the currency, commodities or securities at an agreed price within a certain period of time.

Mutual funds may use derivatives to limit potential losses associated with currencies, stock markets and interest rates. This process is called hedging. Mutual funds may also use derivatives for non-hedging purposes – to reduce transaction costs, achieve greater liquidity, create effective exposure to international financial markets or increase speed and flexibility in making portfolio changes. Although derivatives are often used by funds to reduce risk, they have their own kinds of risk including the following:

- The use of derivatives for hedging may not be effective;
- Some derivatives, such as call options, may limit a mutual fund’s potential for gain;
- Options and futures contracts may be more volatile and result in higher costs than an investment in the underlying security and may involve an initial investment that is small relative to the risk involved;

- The cost of entering into and maintaining derivative contracts may reduce a mutual fund's total return to investors;
- The price of a derivative may not accurately reflect the value of the underlying currency or security;
- There is no guarantee that a market will exist when a mutual fund wants to buy or sell the derivative contract. This could prevent the fund from realizing a profit or limiting its losses;
- If the other party (the counterparty) to a derivative contract is unable to meet its obligations, a fund may not realize the benefit intended to be secured by the investment and the fund may experience a loss; and
- Stock exchanges may set daily trading limits on derivatives. This could prevent a mutual fund from closing a contract.

As an alternative mutual fund, the Fund will be permitted under NI 81-102 to use cleared specified derivatives without limit and with zero cash required.

#### *Commodity Risk*

If a mutual fund invests in natural resource companies or in income or royalty trusts based on commodities such as oil and gas, it will be affected by changes in commodity prices. As an alternative mutual fund, the Fund will be permitted to invest up to 100% of its NAV in physical commodities, either directly or through the use of specified derivatives. Commodity prices tend to be cyclical and can move dramatically in short periods of time. In addition, new discoveries or changes in government regulations can affect the price of commodities.

#### *Leverage Risk*

As an alternative mutual fund, the Fund will be permitted under NI 81-102 to leverage its assets through borrowing, short sales and/or specified derivatives. Investment decisions may be made for the assets of the Fund that exceed the NAV of the Fund. As a result, if these investment decisions are incorrect, the resulting losses will be more than if investments were made solely in an unleveraged long portfolio as is the case in most conventional equity mutual funds. In addition, leveraged investment strategies can also be expected to increase a fund's turnover, transaction and market impact costs, interest and other costs and expenses.

Under the investment restrictions applicable to alternative mutual funds in NI 81-102, the Fund's aggregate gross exposure, calculated as the sum of the following, must not exceed three times the Fund's NAV: (i) the aggregate value of outstanding indebtedness under any borrowing agreements; (ii) the aggregate market value of all securities sold short; and (iii) the aggregate notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes. If the Fund's aggregate gross exposure exceeds three times the Fund's NAV, the Fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate gross exposure to three times the Fund's NAV or less.

#### *Short Selling Risk*

A short sale by a mutual fund involves securities that it borrows from a lender that are then sold by the mutual fund in the open market. At a future date, the securities are repurchased by the mutual fund and returned to the lender. While the securities are borrowed, the proceeds from the sale are deposited with the lender and the mutual fund pays interest to the lender. If the value of the securities declines between the time that the mutual fund borrows the securities and the time it repurchases and returns the securities to the

lender, the mutual fund realizes a profit on the difference (less any interest the mutual fund is required to pay to the lender). Short selling involves risk. There is no assurance that securities will decline in value during the period of the short sale and result in a profit for a mutual fund. Securities sold short may instead appreciate in value, resulting in a loss for a mutual fund. Unlike a purchase of a share where the maximum amount of the loss is the amount invested, the size of the loss in respect of a short sale is unlimited as there is no limit on the amount a security sold short may increase in value. A mutual fund may experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender may also recall borrowed securities at any time. The lender from whom a mutual fund has borrowed securities may go bankrupt and a mutual fund may lose the collateral it has deposited with the lender. As an alternative mutual fund, the Fund will be permitted under applicable securities laws to sell securities short (provided that, among other things, the aggregate market value of the securities of the issuer of the securities sold short, other than government securities, does not exceed 10% of its NAV and the aggregate market value of the securities sold short does not exceed 50% of its NAV (or, subject to receipt of the Exemptive Relief, 100% of its NAV)).

#### *Fund-on-Fund Risk*

As part of its new investment strategy, the Fund may invest in other mutual funds (“**Underlying Funds**”). Upon making such an investment, the Fund becomes subject to the risk of the Underlying Fund. A change in the investment objective strategy or holdings in one mutual fund may have an impact on the performance or management of the other fund. For example, if the top fund makes a significant investment or divestment in an Underlying Fund, the underlying fund may have to alter its portfolio significantly which may affect the net asset value, performance or diversification of the Underlying Fund. Although a fund on-fund strategy may appear as a more passive investment strategy for a top fund, a change in the investment objective, strategy or holdings in an Underlying Fund may necessitate that an investment fund manager of the top fund engages in a rebalancing or reallocation of that fund, which could have an effect on its performance, or diversification, or give rise to a taxable gain or loss. If the Underlying Funds do not perform as expected, a loss may be incurred by the top fund. If an Underlying Fund suspends redemptions, the Fund may be unable to value part of its portfolio and may be unable to redeem its units of the Underlying Fund, which may have an adverse impact on the Fund.

#### *Changes in Fee Structure*

##### *Performance Fee*

The Management Agreement (as defined below) provides for a performance fee to be paid to Pender, however it is currently set at nil. If the Proposal is approved and implemented, it is expected that the Fund will pay to Pender the Proposed Performance Fee in relation to each class of units in an amount equal to 15% of the amount by which the total return of the class of units exceeds a hurdle rate of 3%, for the period since the performance fee was last paid, provided that the total return of the relevant class of units for such period exceeds the previous high-water mark (as described below).

The Proposed Performance Fee will be calculated and accrued daily, and such accrued fees will be paid by the Fund at the end of each year. Pender will reserve the right to change the period for which the Proposed Performance Fee may be paid by the Fund. The Proposed Performance Fee will be subject to applicable taxes such as GST or HST. Pender will have the right, at its discretion, to reduce or waive the Proposed Performance Fee.

The high-water mark is the net asset value (“**NAV**”) of the applicable class of units to which it applies as at the most recent determination date on which the Proposed Performance Fee was payable. The initial high-water mark will be the NAV of the applicable class of units on the Conversion date.

As the implementation of the Proposed Performance Fee will result in an increase in charges to the Fund or its unitholders, the implementation of the Proposed Performance Fee requires the approval of unitholders of the Fund pursuant to applicable securities laws, as further described under the heading “*The Proposal – Required Approval*”.

In the circumstances, Pender believes the Proposed Performance Fee, which will take effect subject to and upon implementation of the Conversion, is appropriate in relation to the Fund’s proposed investment mandate.

#### *Management Fee*

The Fund currently pays to Pender management fees, calculated in accordance with the Management Agreement, which fees accrue daily and are paid monthly, for management and administration services. In connection with the Conversion, if the Proposal is approved and implemented, the management fee in respect of certain unit classes will be reduced as follows and will continue to accrue daily and be paid monthly:

<b>Securities Offered</b>	<b>Current Management Fee (exclusive of GST/HST)</b>	<b>Proposed Management Fee (exclusive of GST/HST)</b>
Class A units	1.85%	1.80%
Class E units	Negotiable – maximum 1.85%	Negotiable – maximum 1.80%
Class F units	0.85%	0.80%
Class I units	0.70%	0.65%
Class N units	0.30%	0.30%
Class O units	Negotiable – maximum 1.85%	Negotiable – maximum 1.80%

\*All references to fees in this Circular exclude any related taxes.

As the proposed changes in the structure of the management fee will not result in an increase in charges to the Fund or its securityholders, unitholder approval is not required under applicable securities laws in respect of the proposed changes in the structure of the management fee. In the circumstances, Pender believes that the proposed changes in the structure of the management fee are appropriate.

#### **Required Approval**

The Proposal is conditional upon receipt of the approval of unitholders of the Fund.

On June 13, 2022, Pender presented the terms of the Proposal to the Fund’s Independent Review Committee (“**IRC**”) for its review. The IRC has determined, after reasonable inquiry, that the Proposal would achieve a fair and reasonable result for the Fund, if implemented, and has provided to Pender a positive recommendation in respect of the Proposal.

Approval by unitholders of the Fund must be given by the affirmative vote of at least a majority of the votes cast at the Meeting in respect of the Proposal Resolution by or on behalf of unitholders of record of the Fund present virtually or represented by proxy at the Meeting.

Unitholders of the Fund will be asked to confirm their approval of the Proposal by voting in favour of the Proposal Resolution as set out in Schedule “A” to this Circular.

By approving the Proposal, unitholders will also be authorizing, among other things, any director or officer of Pender or of any successor manager of such Fund to do all such acts and things as may be necessary or desirable in connection with the Proposal including any associated amendments to the Trust Agreement (as defined below) governing the Fund. If the Proposal Resolution is approved, notwithstanding the receipt of such unitholder approval, Pender will be authorized, in its discretion and in its capacity as manager of the Fund, to elect not to proceed with or delay the implementation of the Conversion, the Proposed Performance Fee or the Proposal for any reason.

### **Implementation of the Proposal**

If the Proposal is approved at the Meeting, it is expected that the proposed Conversion and the Proposed Performance Fee will become effective on or around August 29, 2022.

In connection with, and subject to, the implementation of the Conversion, following approval of the Proposal, Pender proposes to: (i) change the name of the Fund to “Pender Alternative Multi-Strategy Income Fund” in order to better reflect the Fund’s new investment objectives and strategy, and (ii) make the following changes to the Fund’s investment strategies, as set out in the simplified prospectus, in order to implement the proposed investment objectives of the Fund as contemplated by the Proposal:

<b>Current Investment Strategies</b>	<b>Proposed Investment Strategies</b>
<p>Pender will examine each potential investment for success in light of current economic and market conditions, its industry position, its current financial position, its growth potential, earnings estimates and the quality of its management. The Fund invests in Canadian, US and foreign securities; up to 100% of the Fund may be invested in foreign securities.</p> <p>When possible, the Fund will invest in a portfolio of well-managed businesses, with strong competitive positions and the potential for significant capital appreciation. For this category of investments, the Fund is expected to be a patient, long-term investor, aiming for lower portfolio turnover and higher tax efficiency. However, finding attractively priced securities in this category tends to be rare. As a result, the Fund will be opportunistic and also consider potential securities from the much larger universe of businesses that have more general economic characteristics when those securities trade at a substantial discount to Pender’s estimate of the business’s fair value. Turnover will be higher for this category of investments. Above all else, when evaluating potential investments, the Fund’s primary objective is to acquire more value than it is paying for.</p>	<p>To achieve the Fund’s investment objectives, the Manager will utilize fundamental research to identify attractive risk adjusted return opportunities in individual investments within a diversified portfolio. The portfolio advisor believes that private and public securities are priced inefficiently and, as a result, the price of any given security only occasionally coincides with its intrinsic value. The portfolio advisor attempts to identify and exploit these inaccuracies using internal analyses.</p> <p>The Fund will invest primarily in North American securities, as well as foreign securities outside North America. This can include, but is not limited to high yield bonds, investment grade corporate bonds, government bonds, syndicated loans, structured products, preferred shares, convertible bonds &amp; debentures, common shares, exchange traded funds, derivative products, SPACs, closed end funds, Master Limited Partnerships, equity options, private companies and other income generating securities.</p> <p>The Fund may carry out all or part of its strategy by investing up to 100% of its assets in funds managed by the Manager and/or its affiliates or associates, and/or units of other investment funds, as selected by the Manager in its sole discretion.</p> <p>The Manager may choose to sell a security short if, in the opinion of the Manager, the risk adjusted</p>

	<p>return potential of selling that security short offers an attractive opportunity. Short selling can be an effective tool to generate absolute returns and to hedge unwanted market risk. The Manager may also short sell securities with unattractive fundamental characteristics.</p> <p>The Manager will, from time to time, and among other strategies:</p> <ul style="list-style-type: none"> <li>• Utilize fundamental credit research to identify securities believed to offer attractive risk adjusted returns based on the Manager’s view of an issuer’s ability to maintain and/or improve its credit metrics.</li> <li>• Employ arbitrage strategies to capture opportunities in announced merger deals or across the capital structure.</li> <li>• Invest in fundamental long positions in equity securities that offer attractive risk adjusted return potential.</li> <li>• Employ event driven strategies to capture attractive opportunities related to a company specific action or market event.</li> <li>• Short selling Government Securities to reduce interest rate sensitivity.</li> <li>• Combine a long and a short position in an issuer’s senior debt, junior debt, common stock or preferred stock.</li> <li>• Combine a long position in a particular issuer, index, sector, or segment of the market with a short position in the debt of the same issuer, index, sector or segment of the market.</li> <li>• Combine a long position in an issuer’s convertible securities, including convertible bonds/debentures, warrants, and convertible preferred shares, with a short position in its common stock.</li> </ul> <p>To execute these strategies, the Manager may use warrants, exchange traded funds and derivatives such as options, forward contracts, futures contracts and swaps to hedge against losses from changes in the prices of the Fund’s investments and from exposure to foreign currencies, gain exposure to individual securities and markets instead of buying the securities directly, and/or generate income.</p> <p>The Manager may invest the majority of assets of the Fund in cash or cash equivalents, depending on the investment opportunities available.</p>
--	---

**Notes:**

The Fund's strategy may incorporate alternative strategies such as short selling, cash borrowing and use of derivatives. Please see "*Proposed Fundamental Investment Objectives*" for further details.

Reporting and disclosure of performance of the Fund (including past performance) will be handled in accordance with all applicable regulatory requirements.

**Costs of the Proposal**

The Fund will not bear any of the costs and expenses associated with the Proposal. Such costs will be borne by Pender, as manager of the Fund. These costs may include legal fees, proxy solicitation, printing and mailing costs and regulatory fees. There are no fees charged by the Fund for the redemption of units of any classes of the Fund. However, there may be some administrative fees or costs charged by your dealer which are beyond the control of Pender.

**Canadian Federal Income Tax Considerations of the Proposal**

The following is a general summary of the Canadian federal income tax considerations applicable to the Fund and to an investor who is an individual (other than a trust), resident in Canada, deals at arm's length with the Fund, and holds units as capital property. This summary is not exhaustive of all tax considerations and is not intended to be legal advice or tax advice. We have tried to make this discussion easy to understand. As a result, we cannot be technically precise, or cover all the tax consequences that may apply. You should consult your own tax advisor about your personal circumstances when you consider purchasing, switching or redeeming securities of the Fund.

The summary is based on the current provisions of the Income Tax Act (Canada) ("**Tax Act**"), regulations under the Tax Act, the proposals for specific amendments to the Tax Act, the regulations that have been publicly announced by the Minister of Finance (Canada) before the date hereof and our understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency (CRA). Except for the foregoing, this summary does not take into account or anticipate any change in law, whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account provincial, territorial, or foreign income tax legislation or considerations.

This summary assumes that the Fund is expected to qualify, and will continue to be, at all material times, a mutual fund trust for the purposes of the Tax Act. This summary also assumes that the Fund is or will become a specified investment flow-through trust ("**SIFT trust**"). Investors should seek independent advice regarding the tax consequences of investing in units, based on the investors' own particular circumstances.

**This summary is general in nature only and is not intended to be, nor should it be construed as, legal or tax advice. It is not exhaustive of all possible tax considerations. Investors should consult their own tax advisors for advice with respect to their particular circumstances.**

In this summary, a trust governed by Registered Retirement Savings Plans (RRSP), Registered Retirement Income Funds (RRIF), Deferred Profit Sharing Plans (DPSP), Registered Disability Savings Plans (RDSP), Registered Education Saving Plans (RESP) and Tax Free Savings Accounts (TFSA) are collectively referred to as "Registered Plans" and individually referred to as a "Registered Plan".

***Redemptions Prior to Proposed Changes***

If you dispose of a unit (including a switch of a unit of this Fund for a unit of another fund managed by Pender), whether by redemption or otherwise, a capital gain (or a capital loss) will be realized to the extent

that the proceeds of disposition, less any costs of disposition, are greater (or less) than the adjusted cost base to you of the unit. One-half of a capital gain (or a capital loss) is generally included in determining your taxable capital gain (or allowable capital loss). The allowable capital loss may be deducted against your taxable capital gains for the year. Generally, any excess of your allowable capital loss over your taxable capital gains for the year may be carried back up to three taxation years or forward indefinitely and deducted against taxable capital gains in other years. A change of units of a class of the Fund into units of a different class of the Fund is generally not considered to be a sale for tax purposes, so no capital gain or loss will result. To the extent a change in units results in a disposition of the original units then either a capital gain or a capital loss will be realized or suffered. If units are held by a Registered Plan, capital gains realized on a redemption of units will be exempt from tax. Withdrawals from the Registered Plan, other than withdrawals from a tax-free savings account and certain permitted withdrawals from a registered education savings plan or a registered disability savings plan, are generally fully taxable.

### ***Effect of the Proposed Changes***

Unitholders that continue to hold units of the Fund when the proposed changes are effected will not be considered to have disposed of their units as a result of the changes. The “Tax Consequences of Investing in the Funds” will continue to be as disclosed in the Simplified Prospectus (“**SP**”) of the Fund. Please refer to the SP of the Fund for a description of the tax consequences of acquiring, holding, and disposing of units of the Fund.

<p style="text-align: center;"><b>Pender, as manager of the Fund, recommends that you vote <u>IN FAVOUR</u> of the Proposal Resolution.</b></p>
---

## **MANAGEMENT OF THE FUND**

### **Manager**

Under the management agreement (the “**Management Agreement**”) between Pender and the Fund, among other funds (collectively with the Fund, the “**Funds**”), Pender is appointed as the manager of the Fund. As manager, Pender is responsible for directing the affairs and managing the business of the Fund, administering or arranging for the administration of the day-to-day operations of the Fund, including investment decisions, execution of investment orders, sales of units, maintaining records, fund reporting, voting of portfolio securities and custodial arrangements. The Management Agreement also sets forth the fees payable to Pender as manager of the Fund.

Pender’s appointment as manager of the Funds continues indefinitely but may be terminated by Pender or the Funds upon giving 60 days’ prior notice or such shorter notice as Pender and the Funds may agree. The Management Agreement may also be terminated by the Funds or Pender upon giving notice in writing to the other party if the other party ceases to carry on business, becomes bankrupt or insolvent, resolves to wind-up or liquidate or if a receiver of any of its assets is appointed or if the other party commits a material breach of the Management Agreement which is not remedied within 30 days of receipt of notice of such breach.

The names and municipalities of residence of Pender’s directors and officers are as follows:

<u>Name and Municipality of Residence</u>	<u>Position with Pender</u>
DAVID BARR North Vancouver, BC	Director, Chief Executive Officer and Ultimate Designated Person
KELLY EDMISON Vancouver, BC	Director and Chairman of the Board of Directors
FELIX NARHI North Vancouver, BC	Director and Chief Investment Officer
GINA JONES Vancouver, BC	Chief Financial Officer, Chief Compliance Officer and Corporate Secretary
CARLO DESIERTO Vancouver, BC	President
DONALD CAMPBELL Winnipeg, MB	Director

The following table sets out the persons or companies who, as at the Record Date, are owners on record of, or who own beneficially, directly or indirectly, more than 10% of any class or series of voting securities of Pender:

<b>Name</b>	<b>Class of Shares</b>	<b>Type of Ownership</b>	<b>Number of Shares</b>	<b>% of Outstanding Shares</b>
Arbutus Family Holdings Ltd. <sup>(1)</sup>	Common	Beneficial	300,000	11%
Garibaldi Venture Partners Ltd. <sup>(2)</sup>	Common	Beneficial	1,122,600	43%
408198 BC Ltd. <sup>(3)</sup>	Common	Beneficial	300,000	11%
Felix Narhi	Common	Direct	391,662	15%

**Notes:**

- (1) Arbutus Family Holdings Ltd. is a British Columbia company which is 100% owned by Kelly Edmison, a resident of British Columbia.
- (2) Garibaldi Venture Partners Ltd. is a British Columbia company which is 100% owned by David Barr, a resident of British Columbia.
- (3) 408198 BC Ltd. is a British Columbia company which is 100% owned by William Rand, a resident of British Columbia.

Other than shares of Pender held as noted above and ownership of units of the Fund, none of the above persons was indebted to or had any transaction or arrangement with the Fund since the start of the last fiscal year of the Fund.

Donald Campbell, a director of Pender, is the principal of the firm Canadian Compliance & Regulatory Law, which provides ongoing regulatory advice to Pender, as the manager of the Fund. Arbutus Family Holdings Ltd., which is 100% owned by Kelly Edmison, is a company that provides consulting services to Pender, as the manager of the Fund.

As compensation for the services that it provides to the Fund as manager, Pender receives a management and administration fee calculated in accordance with the terms of the Management Agreement. The Management Agreement also provides for a performance fee to be paid to Pender, but it is currently set at

nil. For the period of January 1, 2021 to December 31, 2021, the Fund paid management and administration fees to Pender in the aggregate amount of \$405,863 (including G.S.T./H.S.T.) and for the period of January 1, 2022 to the date of this Circular, management and administration fees were incurred in the aggregate amount of \$96,051 (including G.S.T./H.S.T.). For further details regarding certain proposed changes with respect to the fee structure of the Fund in connection with the Proposal, see the section titled “*The Proposal – Reasons for the Proposal and Background Information – Changes in Fee Structure*” in this Circular.

## **Portfolio Management**

Pender is also the portfolio advisor of the Fund. The following table sets forth information in respect of the person employed by Pender who is currently principally responsible for day-to-day management of the Fund.

<u>Name and Municipality of Residence</u>	<u>Position with Pender</u>
DAVID BARR*	Director, Chief Executive Officer, Ultimate Designated Person, and Portfolio Manager
FELIX NARHI	Director, Chief Investment Officer, and Portfolio Manager

\* If the Proposal is approved, David Barr will be the principal person responsible for day-to-day management of the Fund.

Other than ownership of units of the Fund, the above individuals were not indebted to and did not have any transaction or arrangement with the Fund since the start of the last fiscal year of the Fund.

Pender, as the portfolio advisor of the Fund, makes decisions regarding the execution of portfolio transactions with respect to the cash and cash equivalent portions of the Fund, including, when applicable, the selection of markets, brokers and the negotiation of commissions. If and when effecting such portfolio transactions, the portfolio advisors place brokerage business with investment dealers and brokers on the basis of the best price and service. To the extent that the execution offered by more than one dealer or broker are comparable, the portfolio advisor may, in its discretion, determine to effect transactions with the dealers and brokers who provide research, statistical and other similar services to the Fund or to the portfolio advisor at transaction prices which reflect those services.

The Fund does not have agreements or arrangements in place with any dealer for the portfolio transactions regarding the Fund; however, the portfolio advisor for the Fund may, from time to time, receive research that it uses in connection with its management of the Fund. This research may or may not be used in connection with the management of the Fund, and is not a factor used in determining the dealers through whom it will place portfolio transactions for the Fund. The portfolio advisor for the Fund reviews each trade for the Fund to determine, among other things, whether the Fund received reasonable benefit considering the applicable research, if any is received, and the amount of brokerage commissions paid. The names of the dealer(s) that provided Pender, in its capacity as manager of the Fund, with the services described above in connection with the portfolio transactions for the Fund during the last financial year of the Fund will be provided on request by contacting Pender at 1-866-377-4743 or at [info@penderfund.com](mailto:info@penderfund.com).

Other than the management and administration fees noted above, Pender currently receives no other compensation for the services that it provides to the Fund as portfolio advisor. For further details regarding certain proposed changes with respect to the fee structure of the Fund in connection with the Proposal, see

the section titled “*The Proposal – Reasons for the Proposal and Background Information – Changes in Fee Structure*” in this Circular.

**Trustee**

Pender is also the trustee of the Fund (the “**Trustee**”), which is governed by the Seventeenth Amended and Restated Mutual Fund Trust Agreement dated June 20, 2022 (the “**Trust Agreement**”). The Trust Agreement sets forth the terms governing the creation, operation, management and administration of the Fund, including the powers and duties of the Trustee, the attributes of the units of the Fund, procedures for purchase, exchange and redemption of units, recordkeeping, calculation of the Fund’s income and other administrative procedures.

**INTEREST OF PENDER IN THE PROPOSAL**

Except as disclosed in this Circular, to the knowledge of the directors and officers of Pender, no person who has been a director or officer of Pender at any time since the beginning of Pender’s most recently completed financial year, or any associate or affiliate of those persons, has any interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in the Proposal.

As described above, Pender acts as the manager, portfolio advisor and Trustee of the Fund and is responsible for managing the overall business of the Fund. As compensation for these services, Pender receives certain fees. Additional details concerning the management fees, performance fees and other expenses paid by the Fund in prior years are contained in the audited annual financial statements of the Fund. For further details regarding certain proposed changes with respect to the fee structure of the Fund in connection with the Proposal, see the section titled “*The Proposal – Reasons for the Proposal and Background Information – Changes in Fee Structure*” in this Circular.

None of the insiders of Pender is paid or otherwise compensated or reimbursed for expenses by the Fund. The Fund has not paid, and is not obligated to pay, any remuneration to any director or officer of Pender.

**VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

As at the Record Date, the Fund had the following numbers of issued and outstanding units:

	<b>Number of Units Issued and Outstanding</b>
Class A units	339,202
Class A1 units	13,637
Class E units	500
Class F units	176,950
Class F1 units	44,423
Class I units	106,673
Class N units	500
Class O units	108,089
<b>TOTAL</b> .....	<b>789,974</b>

Unitholders of the Fund are entitled to one vote for each whole unit held. Holders of units of record on the Record Date who hold in aggregate one or more whole units of the Fund will be entitled to vote at the Meeting, except to the extent that: (a) such units are redeemed prior to the Meeting or (b) a transferee of units after the Record Date complies with the required procedures in order to qualify to vote the transferred units and all documentation necessary to transfer the units on Pender’s records as manager of the Fund is

received by Pender by not later than five days before the date of the Meeting. If your units were transferred to you from another holder after the Record Date (for example, in the case of the death of a holder), you should contact your investment advisor to determine the documentation necessary to transfer the units on Pender's records as manager of the Fund. You will only be able to vote the transferred units after the transfer has been recorded on Pender's records.

In order for the Meeting to be duly constituted, a quorum must be established. Quorum for the Fund requires one or more unitholders of the Fund entitled to vote at the Meeting whether virtually or by proxy who hold, in the aggregate, at least 10 units entitled to be voted at the Meeting.

Other than as disclosed below, to the knowledge of the directors and executive officers of Pender, as manager of the Fund, as of the Record Date, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the voting rights attached to the units of all classes of the Fund entitled to be voted at the Meeting. As of the Record Date, Pender does not hold units of the Fund.

<b>Name of Unitholder<sup>(1)</sup></b>	<b>Type of Ownership</b>	<b>Number of Units</b>	<b>Percentage of Outstanding Units of Fund</b>
Company Investor	Beneficial	107,589	14%

**Notes:**

(1) Due to privacy reasons, the names of unitholder has been omitted. Such information is available on request by contacting Pender at 1-866-377-4743 or info@penderfund.com.

As of the Record Date, the directors and executive officers of Pender hold, directly or indirectly, in the aggregate less than 1% of the outstanding units of the Fund.

**AUDITOR**

The auditor of the Fund is KPMG LLP, Chartered Professional Accountants, located at PO Box 10426 777 Dunsmuir Street, Vancouver BC V7Y 1K3.

**ADDITIONAL INFORMATION**

Additional information regarding the Fund is contained in the simplified prospectus, interim and annual management reports of fund performance and annual audited and interim unaudited financial statements for the Fund. You may obtain a copy of the simplified prospectus for the Fund and its most recent interim and annual financial statements and management reports of fund performance by contacting us at Suite 1830 - 1066 West Hastings Street, Vancouver, BC V6E 3X2, by email at info@penderfund.com or by telephone at 1-866-377-4743. You may also find these documents and other information about the Fund at [www.penderfund.com](http://www.penderfund.com) or at [www.sedar.com](http://www.sedar.com).

**CERTIFICATE**

The contents of this Circular and the sending of this Circular to the unitholders of the Fund have been approved by the board of directors of Pender, as manager of the Fund.

DATED at Vancouver, British Columbia this 23<sup>rd</sup> day of June, 2022.

**PENDERFUND CAPITAL MANAGEMENT  
LTD.**, as manager of the Fund

*(signed)* David Barr  
Chief Executive Officer & Director

## SCHEDULE “A”

### PROPOSAL RESOLUTION

#### BE IT RESOLVED THAT:

1. the change to the fundamental investment objectives of the Fund to the following (the “**Conversion**”), all as described in the management information circular of the Fund dated June 23, 2022 (the “**Circular**”), is authorized and approved:

“The objective of the Fund is to preserve capital and to generate returns through current income and capital appreciation, while being sufficiently diversified to mitigate volatility. The Fund will make investments permitted by applicable securities laws for alternative mutual funds, primarily in North America and may also invest in foreign securities.”

2. Alternatively, if the Exemptive Relief, as defined in the Circular, is obtained, the change to the fundamental investment objective of the Fund to the following, as described in the Circular, is authorized and approved:

“The objective of the Fund is to preserve capital and to generate returns through current income and capital appreciation, while being sufficiently diversified to mitigate volatility. The Fund will invest primarily in North American securities and may also invest in foreign securities.

The Fund falls within the definition of an “alternative mutual fund” as set out in National Instrument 81-102 – Investment Funds of the Canadian Securities Administrators (“**NI 81-102**”) as it is permitted, as modified by exemptive relief received by the Fund, to use strategies generally prohibited by other types of mutual funds, such as the ability to invest more than 10% of its NAV in securities of a single issuer, either directly or through the use of specified derivatives, the ability to borrow cash, up to 100% of its NAV, to use for investment purposes, the ability to sell securities short (the combined level of cash borrowing and short selling is limited to 100% of its NAV in aggregate), and the ability to use leverage through the use of cash borrowing, short selling and specified derivatives. The maximum aggregate exposure to these sources of leverage, as calculated in accordance with section 2.9.1 of NI 81-102, shall not exceed 300% of the Fund’s NAV.”

3. the change in the fee structure of the Fund, including the implementation of the Proposed Performance Fee (as defined in the Circular), all as described in the Circular, is hereby authorized and approved (the “**Change in Fee Structure**” and collectively with the Conversion, the “**Proposal**”);
4. PenderFund Capital Management Ltd. (“**Pender**”), as the manager of the Fund, and any successor manager of the Fund, be and are each hereby authorized to revoke this resolution or elect not to proceed with, or delay the implementation of, the Conversion, the Change in Fee Structure or the Proposal, as the case may be, in each case for any reason whatsoever in their sole and absolute discretion, without further approval of the unitholders of the Fund, at any time prior to the implementation of the Conversion, the Change in Fee Structure or the Proposal; and
5. any director or officer of Pender and of any successor manager of the Fund is authorized and directed to execute or cause to be executed and to deliver or cause to be delivered, all such documents, agreements and instruments and to do or cause to be done all such other acts and things as such director or officer shall determine to be necessary or desirable in order to carry out the intent of or in connection with the Conversion, the Change in Fee Structure and the Proposal or the

foregoing resolutions and the matters authorized thereby, including any amendments to, or novations of, any document, agreement or instrument, including without limitation the trust agreement governing the Fund, such determination to be conclusively evidenced by his or her execution and delivery of such document, agreement or instrument or the doing of any such act or thing.