



Unaudited Semi-Annual Financial Statements of
PENDER ALTERNATIVE MUTUAL FUNDS

Six months ended June 30, 2022



NOTICE OF NO AUDITOR REVIEW OF THE SEMI-ANNUAL FINANCIAL STATEMENTS

PenderFund Capital Management Ltd., the Manager of the Pender Alternative Mutual Funds (the "Funds"), appoints an independent auditor to audit the Funds' Annual Financial Statements. In accordance with Canadian securities laws (National Instrument 81-106 "Investment Fund Continuous Disclosure"), the Manager must disclose if an auditor has not reviewed the Semi-Annual Financial Statements.

The Funds' independent auditor has not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.

Table of Contents

Pender Alternative Absolute Return Fund	1
Pender Alternative Arbitrage Fund	10
Notes to Financial Statements	20

Pender Alternative Absolute Return Fund

Statements of Financial Position (Unaudited)

June 30, 2022 and December 31, 2021

	2022 (\$)	2021 (\$)
Assets		
Cash	54,806,727	6,419,036
Receivable for investments sold	123,264	-
Subscriptions receivable	2,043,576	367,280
Interest receivable	1,726,371	554,327
Derivative assets	-	309,100
Investments	137,771,625	45,075,362
	196,471,563	52,725,105
Liabilities		
Management and administration fees payable (note 4)	88,433	7,353
Payable for investments purchased	14,020,568	-
Redemptions payable to holders of redeemable units	2,022,322	24,407
Distributions payable to holders of redeemable units	130,483	-
Payable for interest and dividends on short securities	186,627	43,721
Interest and borrowing fees payable	66,032	-
Derivative liabilities	1,423,647	-
Performance fees payable	509	-
Investments sold short	52,410,246	11,903,218
	70,348,867	11,978,699
Net assets attributable to holders of redeemable units	126,122,696	40,746,406
Net assets attributable to holders of redeemable units per class:		
Class A	2,001,489	5,114
Class AF	8,644,341	2,651,026
Class F	7,978,175	5,114
Class FF	75,456,464	32,660,274
Class H	1,335,652	5,114
Class I	23,481,827	131,396
Class N	251,612	5,114
Class O	6,973,136	5,283,254
	126,122,696	40,746,406
Net assets attributable to holders of redeemable units per unit:		
Class A	9.68	9.99
Class AF	9.72	9.99
Class F	9.70	9.99
Class FF	9.73	10.00
Class H	9.71	9.99
Class I	9.72	9.99
Class N	9.71	9.99
Class O	9.71	9.99

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

(signed) "David Barr"

David Barr
Director

(signed) "Felix Narhi"

Felix Narhi
Director

Pender Alternative Absolute Return Fund

Statement of Comprehensive Income (Unaudited)

Six months ended June 30, 2022

	2022 (\$)
Revenue	
Interest for distribution purposes	3,159,865
Dividend and interest expense on securities sold short	(535,027)
Foreign exchange gain (loss)	1,267,424
Changes in fair value of investments and derivatives:	
Net realized gain (loss)	(759,575)
Net change in unrealized appreciation (depreciation)	(3,519,477)
Total revenue	(386,790)
Expenses	
Interest and borrow fees expense	323,727
Administration fees (note 4)	248,677
Management fees (note 4)	145,751
Transaction costs	6,885
Independent review committee fees	1,526
Performance fees (note 4)	509
Total expenses	727,075
Less: Fees waived and expenses absorbed by the Manager (note 4)	(30,002)
Net expenses	697,073
Increase (decrease) in net assets attributable to holders of redeemable units	(1,083,863)
Increase (decrease) in net assets attributable to holders of redeemable units per class:	
Class A	(31,003)
Class AF	(104,130)
Class F	(139,084)
Class FF	(472,583)
Class H	(26,957)
Class I	(316,485)
Class N	(3,502)
Class O	9,881
	(1,083,863)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:	
Class A	(0.49)
Class AF	(0.13)
Class F	(0.47)
Class FF	(0.07)
Class H	(0.24)
Class I	(0.46)
Class N	(0.24)
Class O	0.02

Pender Alternative Absolute Return Fund

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited)

Six months ended June 30, 2022

Class A	2022 (\$)
Balance, beginning of period	5,114
Increase (decrease) in net assets attributable to holders of redeemable units	(31,003)
Unit transactions:	
Proceeds from issue of redeemable units	2,270,348
Issued on reinvestment of distributions	8,164
Amounts paid on redemption of redeemable units	(233,536)
	2,044,976
Distributions paid from:	
Net investment income	(17,598)
Realized gains on sale of investments	-
Return of capital	-
	(17,598)
Balance, end of period	2,001,489

Class AF	2022 (\$)
Balance, beginning of period	2,651,026
Increase (decrease) in net assets attributable to holders of redeemable units	(104,130)
Unit transactions:	
Proceeds from issue of redeemable units	6,453,291
Issued on reinvestment of distributions	109,556
Amounts paid on redemption of redeemable units	(266,731)
	6,296,116
Distributions paid from:	
Net investment income	(198,671)
Realized gains on sale of investments	-
Return of capital	-
	(198,671)
Balance, end of period	8,644,341

Class F	2022 (\$)
Balance, beginning of period	5,114
Increase (decrease) in net assets attributable to holders of redeemable units	(139,084)
Unit transactions:	
Proceeds from issue of redeemable units	11,888,374
Issued on reinvestment of distributions	38,228
Amounts paid on redemption of redeemable units	(3,721,945)
	8,204,657
Distributions paid from:	
Net investment income	(92,512)
Realized gains on sale of investments	-
Return of capital	-
	(92,512)
Balance, end of period	7,978,175

Pender Alternative Absolute Return Fund

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited) (cont'd)

Six months ended June 30, 2022

Class FF	2022 (\$)
Balance, beginning of period	32,660,274
Increase (decrease) in net assets attributable to holders of redeemable units	(472,583)
Unit transactions:	
Proceeds from issue of redeemable units	48,388,859
Issued on reinvestment of distributions	1,501,362
Amounts paid on redemption of redeemable units	(4,596,302)
	45,293,919
Distributions paid from:	
Net investment income	(2,025,146)
Realized gains on sale of investments	-
Return of capital	-
	(2,025,146)
Balance, end of period	75,456,464

Class H	2022 (\$)
Balance, beginning of period	5,114
Increase (decrease) in net assets attributable to holders of redeemable units	(26,957)
Unit transactions:	
Proceeds from issue of redeemable units	2,056,762
Issued on reinvestment of distributions	19,543
Amounts paid on redemption of redeemable units	(694,133)
	1,382,172
Distributions paid from:	
Net investment income	(24,677)
Realized gains on sale of investments	-
Return of capital	-
	(24,677)
Balance, end of period	1,335,652

Class I	2022 (\$)
Balance, beginning of period	131,396
Increase (decrease) in net assets attributable to holders of redeemable units	(316,485)
Unit transactions:	
Proceeds from issue of redeemable units	24,490,467
Issued on reinvestment of distributions	172,428
Amounts paid on redemption of redeemable units	(755,824)
	23,907,071
Distributions paid from:	
Net investment income	(240,155)
Realized gains on sale of investments	-
Return of capital	-
	(240,155)
Balance, end of period	23,481,827

Pender Alternative Absolute Return Fund

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited) (cont'd)

Six months ended June 30, 2022

Class N	2022 (\$)
Balance, beginning of period	5,114
Increase (decrease) in net assets attributable to holders of redeemable units	(3,502)
Unit transactions:	
Proceeds from issue of redeemable units	250,000
Issued on reinvestment of distributions	5,145
Amounts paid on redemption of redeemable units	-
	255,145
Distributions paid from:	
Net investment income	(5,145)
Realized gains on sale of investments	-
Return of capital	-
	(5,145)
Balance, end of period	251,612
Class O	2022 (\$)
Balance, beginning of period	5,283,254
Increase (decrease) in net assets attributable to holders of redeemable units	9,881
Unit transactions:	
Proceeds from issue of redeemable units	1,761,001
Issued on reinvestment of distributions	205,658
Amounts paid on redemption of redeemable units	(81,000)
	1,885,659
Distributions paid from:	
Net investment income	(205,658)
Realized gains on sale of investments	-
Return of capital	-
	(205,658)
Balance, end of period	6,973,136
Total Fund	2022 (\$)
Balance, beginning of period	40,746,406
Increase (decrease) in net assets attributable to holders of redeemable units	(1,083,863)
Unit transactions:	
Proceeds from issue of redeemable units	97,559,102
Issued on reinvestment of distributions	2,060,084
Amounts paid on redemption of redeemable units	(10,349,471)
	89,269,715
Distributions paid from:	
Net investment income	(2,809,562)
Realized gains on sale of investments	-
Return of capital	-
	(2,809,562)
Balance, end of period	126,122,696

Pender Alternative Absolute Return Fund

Statement of Cash Flows (Unaudited)

Six months ended June 30, 2022

	2022 (\$)
Cash provided by (used in):	
Operating:	
Increase (decrease) in net assets attributable to holders of redeemable units	(1,083,863)
Adjustments for:	
Interest for distribution purposes	(3,159,865)
Dividend and interest expense on securities sold short	535,027
Foreign exchange (gain) loss	(1,267,424)
Net realized (gain) loss on sale of investments	759,575
Net change in unrealized (appreciation) depreciation of investments	1,786,730
Derivative assets and liabilities	1,732,747
Management and administration fees payable	81,589
Interest and borrow fees expense	66,032
	(549,452)
Proceeds on disposal of investments	285,819,695
Amounts paid on purchase of investments	(326,657,931)
Dividend and interest expense paid on securities sold short	(392,121)
Interest received	1,987,821
	(39,791,988)
Financing:	
Proceeds from issue of redeemable units	95,392,913
Amounts paid on redemption of redeemable units	(7,861,663)
Distributions paid to unitholders	(618,995)
	86,912,255
Net increase (decrease) in cash	47,120,267
Cash, beginning of period	6,419,036
Effect of exchange rate fluctuations on cash	1,267,424
Cash, end of period	54,806,727

Pender Alternative Absolute Return Fund

Schedule of Investment Portfolio (Unaudited)

June 30, 2022

	Issue currency	Number of shares / Face value (\$)	Cost (\$)	Fair value (\$)
LONG POSITIONS				
Corporate bonds and loans:				
Canada (26.3%):				
1011778 B.C. Unlimited Liability Company, 4.00%, 2030/10/15	USD	5,000,000	5,181,391	5,217,343
AutoCanada Inc., 5.75%, 2029/02/07	CAD	3,361,000	3,333,925	2,978,686
Corus Entertainment Inc., 6.00%, 2030/02/28	CAD	1,000,000	1,000,000	884,750
Empire Communities Corp., 7.38%, 2025/12/15	CAD	450,000	471,438	396,750
Mattamy Group Corporation, 4.63%, 2028/03/01	CAD	350,000	358,313	285,542
Secure Energy Services Inc., 7.25%, 2026/12/30	CAD	3,250,000	3,307,813	3,173,828
Shawcor Ltd., Restricted, 9.00%, 2026/12/10	CAD	500,000	500,000	506,406
Tamarack Valley Energy Ltd., 7.25%, 2027/05/10	CAD	4,050,000	4,113,500	3,999,375
Teine Energy Ltd., 6.88%, 2029/04/15	USD	2,950,000	3,794,861	3,593,372
Vermilion Energy Inc., 6.88%, 2030/05/01	USD	5,000,000	6,228,256	5,784,355
Videotron Ltd., 5.75%, 2026/01/15	CAD	6,500,000	6,626,286	6,351,922
			34,915,783	33,172,329
United States (77.7%):				
Apple Inc., 0.75%, 2023/05/11	USD	5,000,000	6,321,191	6,318,527
Bath & Body Works Inc., 7.50%, 2029/06/15	USD	1,750,000	2,429,108	2,053,924
CCM Merger Inc., 6.38%, 2026/05/01	USD	2,515,000	3,299,968	2,951,786
CCO Holdings, LLC, 4.75%, 2030/03/01	USD	500,000	640,408	552,943
CCO Holdings, LLC, 4.75%, 2032/02/01	USD	2,000,000	2,145,302	2,130,316
CCO Holdings, LLC, 4.50%, 2032/05/01	USD	4,000,000	4,473,563	4,175,085
Darling Ingredients Inc., 6.00%, 2030/06/15	USD	100,000	126,485	128,582
EES Finance Corp., 8.13%, 2025/05/01	USD	2,081,000	2,658,541	2,541,703
Enviva Partners Finance Corp., 6.50%, 2026/01/15	USD	1,000,000	1,317,333	1,245,385
Greystar Real Estate Partners LLC, 5.75%, 2025/12/01	USD	3,800,000	4,850,481	4,638,354
Hilton Domestic Operating Company Inc., 4.88%, 2030/01/15	USD	1,500,000	1,750,904	1,750,299
Hilton Domestic Operating Company Inc., 4.00%, 2031/05/01	USD	1,000,000	1,071,463	1,073,538
Hilton Domestic Operating Company Inc., 3.63%, 2032/02/15	USD	3,000,000	3,076,173	3,078,834
Legends Hospitality Co-Issuer, Inc., 5.00%, 2026/02/01	USD	2,750,000	3,485,673	2,971,573
Life Time Inc., 5.75%, 2026/01/15	USD	1,500,000	1,931,836	1,736,697
Life Time Inc., 8.00%, 2026/04/15	USD	1,000,000	1,284,369	1,148,877
Live Nation Entertainment, Inc., 6.50%, 2027/05/15	USD	3,450,000	4,449,397	4,361,305
Live Nation Entertainment, Inc., 3.75%, 2028/01/15	USD	2,000,000	2,234,262	2,233,292
Macy's Retail Holdings LLC, 6.13%, 2032/03/15	USD	2,250,000	2,756,570	2,419,283
Millennium Operations LLC, 6.50%, 2028/10/01	USD	4,500,000	5,811,837	5,506,438
Nielsen Finance Co., 5.88%, 2030/10/01	USD	1,000,000	1,256,524	1,184,224
Park Intermediate Holdings LLC, 5.88%, 2028/10/01	USD	2,913,000	3,678,340	3,427,897
Park Intermediate Holdings LLC, 4.88%, 2029/05/15	USD	18,000	21,433	19,933
Peninsula Pacific Entertainment Finance Inc., 8.50%, 2027/11/15	USD	3,000,000	4,135,288	4,060,453
PepsiCo Inc., 2.75%, 2023/03/01	USD	2,487,000	3,203,343	3,203,607
SeaWorld Parks & Entertainment Inc., 8.75%, 2025/05/01	USD	2,595,000	3,419,784	3,463,523
Sonic Automotive Inc., 4.63%, 2029/11/15	USD	2,000,000	2,249,370	1,998,133
SS&C Technologies, Inc., 5.50%, 2027/09/30	USD	1,000,000	1,216,934	1,204,356
Starbucks Corp., 3.10%, 2023/03/01	USD	2,975,000	3,838,608	3,837,500
Thor Industries Inc., 4.00%, 2029/10/15	USD	1,200,000	1,413,308	1,225,286

The accompanying notes are an integral part of these financial statements.

Pender Alternative Absolute Return Fund

Schedule of Investment Portfolio (Unaudited) (cont'd)

June 30, 2022

	Issue currency	Number of shares / Face value (\$)	Cost (\$)	Fair value (\$)
United States (77.7%): (cont'd)				
TowneBank, 4.50%, 2027/07/30	USD	1,000,000	1,246,636	1,286,871
TransDigm Inc., 8.00%, 2025/12/15	USD	4,000,000	5,231,922	5,216,808
TransDigm Inc., 6.25%, 2026/03/15	USD	2,457,000	3,109,391	3,061,382
Tronox Incorporated, 4.63%, 2029/03/15	USD	600,000	749,108	623,213
W&T Offshore Inc., 9.75%, 2023/11/01	USD	2,000,000	2,547,776	2,455,772
Winnebago Industries Inc., 6.25%, 2028/07/15	USD	2,000,000	2,535,641	2,362,012
XHR LP, 6.38%, 2025/08/15	USD	3,467,000	4,489,358	4,309,774
XHR LP, 4.88%, 2029/06/01	USD	1,884,000	2,187,015	2,084,050
			102,644,643	98,041,535
Government bonds (5.0%):				
United States Government Treasury Bill, 2022/12/22	USD	5,000,000	6,362,325	6,359,855
			6,362,325	6,359,855
Total corporate bonds and loans (109.0%)			143,922,751	137,573,719
Equities (0.2%):				
Enerflex Ltd.		32,604	204,443	197,906
			204,443	197,906
Total long positions (109.2%)			144,127,194	137,771,625
SHORT POSITIONS				
Corporate bonds and loans:				
United States (-1.7%):				
Asbury Automotive Group Inc., 4.75%, 2030/03/01	USD	(2,000,000)	(2,484,504)	(2,119,877)
			(2,484,504)	(2,119,877)
Total corporate bonds and loans (-1.7%)			(2,484,504)	(2,119,877)
Government bonds (-18.5%):				
United States Treasury Bond, 1.25%, 2031/08/15	USD	(2,600,000)	(3,179,290)	(2,892,671)
United States Treasury Bond, 1.38%, 2031/11/15	USD	(6,000,000)	(7,303,384)	(6,696,254)
United States Treasury Bond, 1.88%, 2032/02/15	USD	(3,000,000)	(3,560,190)	(3,496,559)
United States Treasury Bond, 2.88%, 2032/05/15	USD	(8,000,000)	(10,199,676)	(10,213,128)
			(24,242,540)	(23,298,612)
Exchange-traded funds (-20.3%):				
iShares iBoxx High Yield Corporate Bond ETF		(80,071)	(8,227,142)	(7,586,790)
iShares Russell 2000 ETF		(26,000)	(6,573,450)	(5,668,005)
SPDR Bloomberg Barclays High Yield Bond ETF		(60,000)	(7,712,724)	(7,005,715)
SPDR S&P 500 ETF Trust		(11,000)	(6,136,608)	(5,341,558)
			(28,649,924)	(25,602,068)
Equities (-1.1%):				
Exterran Corporation		(32,061)	(187,734)	(177,456)
Life Time Group Holdings, Inc.		(73,118)	(1,338,056)	(1,212,233)
			(1,525,790)	(1,389,689)
Total short positions (-41.6%)			(56,902,758)	(52,410,246)
Less: Transaction costs included in cost of investments			(3,037)	
Total investments (67.6%)			87,221,399	85,361,379

Pender Alternative Absolute Return Fund

Schedule of Investment Portfolio (Unaudited) (cont'd)

June 30, 2022

	Contract rate	Pay	Receive	Unrealized gain (loss)
Derivative liabilities:				
The Bank of Nova Scotia, Foreign Currency Forward, 2022/09/07	1.26	USD \$62,851,400	CAD \$79,466,168	(1,423,647)
Total derivative liabilities (-1.1%)				(1,423,647)
Cash (43.5%)				54,806,727
Other assets less liabilities (-10.0%)				(12,621,763)
Total net assets attributable to holders of redeemable units (100.0%)				126,122,696

Pender Alternative Arbitrage Fund

Statements of Financial Position (Unaudited)

June 30, 2022 and December 31, 2021

	2022 (\$)	2021 (\$)
Assets		
Cash	2,777,628	4,267,664
Receivable for investments sold	696,042	-
Subscriptions receivable	-	125,000
Dividends receivable	6,662	258
Derivative assets	-	71,774
Investments	25,775,907	9,273,907
	29,256,239	13,738,603
Liabilities		
Management and administration fees payable (note 4)	14,852	-
Payable for investments purchased	263,238	125,705
Payable for interest and dividends on short securities	4,891	-
Interest and borrow fees payable	7,609	439
Derivative liabilities	398,891	-
Performance fees payable	8,275	-
Investments sold short	3,125,524	1,727,107
	3,823,280	1,853,251
Net assets attributable to holders of redeemable units	25,432,959	11,885,352
Net assets attributable to holders of redeemable units per class:		
Class A	56,046	5,103
Class AF	2,505,108	1,781,906
Class F	621,087	5,103
Class FF	16,865,410	9,909,525
Class H	63,362	5,103
Class I	655,251	5,103
Class N	5,160	5,103
Class O	4,661,535	168,406
	25,432,959	11,885,352
Net assets attributable to holders of redeemable units per unit:		
Class A	10.26	10.19
Class AF	10.28	10.19
Class F	10.27	10.19
Class FF	10.30	10.19
Class H	10.26	10.19
Class I	10.29	10.19
Class N	10.30	10.19
Class O	10.33	10.19

Approved on behalf of the Manager, PenderFund Capital Management Ltd.:

(signed) "David Barr"

David Barr
Director

(signed) "Felix Narhi"

Felix Narhi
Director

Pender Alternative Arbitrage Fund

Statement of Comprehensive Income (Unaudited)

Six months ended June 30, 2022

	2022 (\$)
Revenue	
Interest for distribution purposes	3,836
Dividend income	40,401
Dividend and interest expense on securities sold short	(27,951)
Foreign exchange gain (loss)	100,356
Changes in fair value of investments and derivatives:	
Net realized gain (loss)	272,845
Net change in unrealized appreciation (depreciation)	(42,744)
Total revenue	346,743
Expenses	
Administration fees (note 4)	47,564
Performance fees (note 4)	44,661
Transaction costs	26,529
Management fees (note 4)	25,269
Interest and borrow fees expense	16,717
Withholding taxes (note 5)	4,407
Independent review committee fees	309
Total expenses	165,456
Less: Fees waived and expenses absorbed by the Manager (note 4)	(65,259)
Net expenses	100,197
Increase (decrease) in net assets attributable to holders of redeemable units	246,546
Increase (decrease) in net assets attributable to holders of redeemable units per class:	
Class A	821
Class AF	22,083
Class F	(317)
Class FF	160,254
Class H	260
Class I	5,256
Class N	57
Class O	58,132
	246,546
Increase (decrease) in net assets attributable to holders of redeemable units per unit:	
Class A	0.59
Class AF	0.09
Class F	(0.02)
Class FF	0.12
Class H	0.10
Class I	0.22
Class N	0.12
Class O	0.33

Pender Alternative Arbitrage Fund

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited)

Six months ended June 30, 2022

Class A	2022 (\$)
Balance, beginning of period	5,103
Increase (decrease) in net assets attributable to holders of redeemable units	821
Unit transactions:	
Proceeds from issue of redeemable units	50,122
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	-
	50,122
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
Balance, end of period	56,046
Class AF	2022 (\$)
Balance, beginning of period	1,781,906
Increase (decrease) in net assets attributable to holders of redeemable units	22,083
Unit transactions:	
Proceeds from issue of redeemable units	701,119
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	-
	701,119
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
Balance, end of period	2,505,108
Class F	2022 (\$)
Balance, beginning of period	5,103
Increase (decrease) in net assets attributable to holders of redeemable units	(317)
Unit transactions:	
Proceeds from issue of redeemable units	763,633
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	(147,332)
	616,301
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
Balance, end of period	621,087

The accompanying notes are an integral part of these financial statements.

Pender Alternative Arbitrage Fund

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited) (cont'd)

Six months ended June 30, 2022

	2022 (\$)
Class FF	
Balance, beginning of period	9,909,525
Increase (decrease) in net assets attributable to holders of redeemable units	160,254
Unit transactions:	
Proceeds from issue of redeemable units	7,198,652
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	(403,021)
	6,795,631
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
Balance, end of period	16,865,410
Class H	
Balance, beginning of period	5,103
Increase (decrease) in net assets attributable to holders of redeemable units	260
Unit transactions:	
Proceeds from issue of redeemable units	57,999
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	-
	57,999
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
Balance, end of period	63,362
Class I	
Balance, beginning of period	5,103
Increase (decrease) in net assets attributable to holders of redeemable units	5,256
Unit transactions:	
Proceeds from issue of redeemable units	644,892
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	-
	644,892
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
Balance, end of period	655,251

Pender Alternative Arbitrage Fund

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited) (cont'd)

Six months ended June 30, 2022

Class N	2022 (\$)
Balance, beginning of period	5,103
Increase (decrease) in net assets attributable to holders of redeemable units	57
Unit transactions:	
Proceeds from issue of redeemable units	-
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	-
	-
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
Balance, end of period	5,160
Class O	2022 (\$)
Balance, beginning of period	168,406
Increase (decrease) in net assets attributable to holders of redeemable units	58,132
Unit transactions:	
Proceeds from issue of redeemable units	4,434,997
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	-
	4,434,997
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
Balance, end of period	4,661,535
Total Fund	2022 (\$)
Balance, beginning of period	11,885,352
Increase (decrease) in net assets attributable to holders of redeemable units	246,546
Unit transactions:	
Proceeds from issue of redeemable units	13,851,414
Issued on reinvestment of distributions	-
Amounts paid on redemption of redeemable units	(550,353)
	13,301,061
Distributions paid from:	
Net investment income	-
Realized gains on sale of investments	-
Return of capital	-
	-
Balance, end of period	25,432,959

Pender Alternative Arbitrage Fund

Statement of Cash Flows (Unaudited)

Six months ended June 30, 2022

	2022 (\$)
Cash provided by (used in):	
Operating:	
Increase (decrease) in net assets attributable to holders of redeemable units	246,546
Adjustments for:	
Dividend income	(40,401)
Interest for distribution purposes	(3,836)
Dividend and interest expense on securities sold short	27,951
Foreign exchange (gain) loss	(100,356)
Net realized (gain) loss on sale of investments	(272,845)
Net change in unrealized (appreciation) depreciation of investments	(427,921)
Derivative assets and liabilities	470,665
Performance fees payable	8,275
Management and administration fees payable	14,852
Interest and borrow fees expense	7,170
	(69,900)
Proceeds on disposal of investments	23,765,499
Amounts paid on purchase of investments	(38,726,825)
Dividend and interest expense paid on securities sold short	(23,060)
Dividends received	33,997
Interest received	3,836
	(15,016,453)
Financing:	
Proceeds from issue of redeemable units	13,976,414
Amounts paid on redemption of redeemable units	(550,353)
	13,426,061
Net increase (decrease) in cash	(1,590,392)
Cash, beginning of period	4,267,664
Effect of exchange rate fluctuations on cash	100,356
Cash, end of period	2,777,628

Pender Alternative Arbitrage Fund

Schedule of Investment Portfolio (Unaudited)

June 30, 2022

	Issue currency	Number of shares	Cost (\$)	Fair value (\$)
LONG POSITIONS				
Equities:				
Banks (3.9%):				
Flagstar Bancorp, Inc.		8,300	448,461	378,739
Partners Bancorp		13,667	163,360	158,945
Prudential Bancorp, Inc.		22,900	479,741	445,985
			1,091,562	983,669
Communication services (5.4%):				
Hemisphere Media Group, Inc.		63,710	549,707	625,717
Shaw Communications Inc., Class 'B'		15,150	571,885	574,640
Twitter, Inc.		3,820	190,734	183,851
			1,312,326	1,384,208
Consumer discretionary (6.8%):				
Points.com Inc.		23,420	736,858	753,354
StoneMor Inc.		127,000	555,337	559,082
Tenneco Inc., Class 'A'		18,400	432,453	406,426
			1,724,648	1,718,862
Consumer staples (0.9%):				
Ocean Bio-Chem, Inc.		13,122	218,609	217,551
			218,609	217,551
Diversified financials (23.4%):				
26 Capital Acquisition Corp., Class 'A'		6,400	79,006	80,816
5:01 Acquisition Corp., Class 'A'		3,310	40,616	42,180
Accelerate Acquisition Corp., Class 'A'		6,500	79,202	81,660
AltC Acquisition Corp., Class 'A'		6,346	79,738	78,827
Altimeter Growth Corp. 2, Class 'A'		6,400	79,738	81,227
Apollo Strategic Growth Capital II, Class 'A'		6,400	79,227	80,980
Ares Acquisition Corporation, Class 'A'		6,400	78,670	80,980
Austerlitz Acquisition Corporation II, Class 'A'		6,500	80,291	81,576
Avanti Acquisition Corp., Class 'A'		2,100	25,992	26,788
B. Riley Principal 250 Merger Corp., Class 'A'		6,500	79,869	81,576
Bluescape Opportunities Acquisition Corp., Class 'A'		1,300	16,071	16,583
CC Neuberger Principal Holdings II, Class 'A'		2,000	24,813	25,718
CF Acquisition Corp. IV, Class 'A'		7,100	87,334	89,929
Churchill Capital Corp VI, Class 'A'		6,400	79,314	80,651
Churchill Capital Corp VII, Class 'A'		6,426	78,638	80,813
Cohn Robbins Holdings Corp., Class 'A'		4,000	50,352	51,179
Compute Health Acquisition Corp., Class 'A'		6,500	81,023	82,078
Corner Growth Acquisition Corp., Class 'A'		18,489	236,233	239,180
E.Merge Technology Acquisition Corp., Class 'A'		9,874	123,192	126,971
Elliott Opportunity II Corp., Class 'A'		6,399	77,881	80,062
Fortress Capital Acquisition Corp., Class 'A'		335	4,144	4,247
Fortress Value Acquisition Corp. IV, Class 'A'		6,400	78,055	80,486
FTAC Emerald Acquisition Corp., Class 'A'		135	1,658	1,699
FTAC Hera Acquisition Corp., Class 'A'		6,500	80,912	81,995
Fusion Acquisition Corp. II, Class 'A'		6,500	80,312	82,078
GO Acquisition Corp., Class 'A'		23,875	295,443	306,704
Hamilton Lane Alliance Holdings I, Inc., Class 'A'		6,500	79,674	82,162
Health Assurance Acquisition Corp., Class 'A'		5,880	73,447	74,779
Highland Transcend Partners I Corp., Class 'A'		3,900	47,983	49,498
Hudson Executive Investment Corp. II		6,500	80,102	82,329

The accompanying notes are an integral part of these financial statements.

Pender Alternative Arbitrage Fund

Schedule of Investment Portfolio (Unaudited) (cont'd)

June 30, 2022

	Issue currency	Number of shares	Cost (\$)	Fair value (\$)
Diversified financials (23.4%): (cont'd)				
Hudson Executive Investment Corp. III, Class 'A'		6,500	79,802	81,995
Independence Holdings Corp., Class 'A'		6,506	79,241	82,154
Jaws Mustang Acquisition Corporation, Class 'A'		6,400	80,458	80,980
Khosla Ventures Acquisition Co. III, Class 'A'		6,400	78,383	80,239
KKR Acquisition Holdings I Corp., Class 'A'		6,500	80,283	81,911
Landcadia Holdings IV, Inc., Class 'A'		6,500	79,563	81,911
Lazard Growth Acquisition Corp. I		6,500	79,928	81,827
Mason Industrial Technology, Inc., Class 'A'		6,500	80,613	81,827
MSD Acquisition Corp., Class 'A'		6,300	77,349	79,472
Pershing Square Tontine Holdings, Ltd., Class 'A'		28,550	719,428	733,889
Pontem Corporation, Class 'A'		2,100	25,832	26,626
Revolution Healthcare Acquisition Corp., Class 'A'		6,477	79,592	81,371
Ribbit LEAP, Ltd., Class 'A'		7,660	97,052	97,712
RMG Acquisition Corp. III, Class 'A'		3,155	38,908	39,961
SciON Tech Growth I, Class 'A'		6,400	78,896	81,392
Slam Corp., Class 'A'		6,500	79,489	82,078
Social Capital Hedosophia Holdings Corp. VI, Class 'A'		19,000	242,914	242,856
Social Capital Suvretta Holdings Corp. I, Class 'A'		6,400	78,844	81,475
Social Capital Suvretta Holdings Corp. II, Class 'A'		6,400	78,989	80,074
Social Capital Suvretta Holdings Corp. III, Class 'A'		7,094	88,424	90,857
Social Capital Suvretta Holdings Corp. IV, Class 'A'		6,400	78,990	79,992
TCW Special Purpose Acquisition Corp., Class 'A'		39,020	480,645	489,710
Vector Acquisition Corporation II, Class 'A'		6,346	77,946	80,052
Vy Global Growth, Class 'A'		23,900	299,375	304,355
Warburg Pincus Capital Corporation I-A		6,429	78,653	81,182
Warburg Pincus Capital Corporation I-B		6,500	80,081	81,995
			5,798,608	5,923,644
Energy (8.4%):				
Blueknight Energy Partners, L.P.		86,590	506,861	503,793
Coelacanth Energy Inc.		279,215	12,127	167,529
Exterran Corporation		97,800	722,793	541,319
Hoegh LNG Partners LP		16,300	187,608	188,622
Saturn Oil & Gas Inc., Subscription Receipts		223,580	614,846	590,252
U.S. Well Services, Inc.		129,072	156,423	156,040
			2,200,658	2,147,555
Health care (8.8%):				
Biohaven Pharmaceutical Holding Company Ltd.		1,400	255,223	262,581
Columbia Care Inc.		210,700	518,541	360,297
F-star Therapeutics, Inc.		22,950	189,368	184,928
Goodness Growth Holdings, Inc.		237,700	578,207	377,943
Natus Medical Incorporated		5,800	243,496	244,653
TherapeuticsMD, Inc.		24,410	312,133	312,634
Turning Point Therapeutics, Inc.		5,180	503,558	501,744
			2,600,526	2,244,780
Industrials (6.1%):				
Meritor, Inc.		10,500	471,643	491,022
Nielsen Holdings Plc		20,800	667,802	621,688
Spirit Airlines, Inc.		6,600	186,271	202,533
Welbilt, Inc.		7,880	237,252	241,508
			1,562,968	1,556,751

The accompanying notes are an integral part of these financial statements.

Pender Alternative Arbitrage Fund

Schedule of Investment Portfolio (Unaudited) (cont'd)

June 30, 2022

	Issue currency	Number of shares	Cost (\$)	Fair value (\$)
Information technology (21.4%):				
Black Knight, Inc.		2,180	185,484	183,491
CDK Global, Inc.		5,270	372,707	371,535
Citrix Systems, Inc.		5,000	635,857	625,387
Coherent, Inc.		1,300	442,186	445,482
GTY Technology Holdings Inc.		79,980	604,299	644,469
MoneyGram International, Inc.		42,000	558,123	540,624
NeoPhotonics Corporation		30,300	582,726	613,504
Redline Communications Group Inc.		8,500	7,459	7,608
Rogers Corporation		1,400	475,861	472,307
SailPoint Technologies Holdings, Inc.		6,100	491,517	492,158
ServiceSource International, Inc.		198,200	370,540	375,031
Steel Connect, Inc.		168,349	293,606	290,376
Tufin Software Technologies Ltd.		22,600	366,512	365,379
			5,386,877	5,427,351
Insurance (4.9%):				
Alleghany Corporation		610	645,684	654,144
Metromile, Inc.		264,100	352,359	311,904
The National Security Group, Inc.		13,249	266,821	279,005
			1,264,864	1,245,053
Materials (3.0%):				
Intertape Polymer Group Inc.		18,750	739,061	759,000
			739,061	759,000
Real estate (7.0%):				
American Campus Communities, Inc.		6,800	560,387	564,303
Bluerock Residential Growth REIT, Inc.		21,600	722,710	730,956
Cedar Realty Trust, Inc.		7,400	268,168	274,233
Healthcare Trust of America, Inc., Class 'A'		5,800	222,964	208,369
			1,774,229	1,777,861
Utilities (1.4%):				
South Jersey Industries, Inc.		8,320	353,456	365,622
			353,456	365,622
Total equities (long) (101.4%)			26,028,392	25,751,907
Warrants (0.1%):				
Saturn Oil & Gas Inc., strike price \$4.00 expiry 2025/03/10	CAD	32,000	-	24,000
			-	24,000
Total long positions (101.5%)			26,028,392	25,775,907
SHORT POSITIONS				
Equities:				
Banks (-3.3%):				
Fulton Financial Corporation		(18,260)	(390,984)	(339,637)
New York Community Bancorp, Inc.		(33,325)	(466,037)	(391,640)
OceanFirst Financial Corp.		(4,546)	(121,247)	(111,941)
			(978,268)	(843,218)
Energy (-3.1%):				
Enerflex Ltd.		(99,853)	(761,549)	(606,108)
ProFrac Holding Corp., Class 'A'		(7,241)	(179,726)	(170,660)
			(941,275)	(776,768)

Pender Alternative Arbitrage Fund

Schedule of Investment Portfolio (Unaudited) (cont'd)

June 30, 2022

	Issue currency	Number of shares	Cost (\$)	Fair value (\$)
Health care (-3.1%):				
Cresco Labs Inc.		(117,549)	(577,783)	(383,210)
Verano Holdings Corp.		(53,843)	(621,711)	(398,437)
			(1,199,494)	(781,647)
Information technology (-0.8%):				
II-VI Incorporated		(1,183)	(97,963)	(77,585)
Vonage Holdings Corp.		(4,800)	(113,400)	(116,528)
			(211,363)	(194,113)
Insurance (-1.3%):				
Lemonade Inc.		(13,900)	(382,267)	(326,709)
			(382,267)	(326,709)
Real estate (-0.8%):				
Healthcare Realty Trust Incorporated		(5,800)	(202,596)	(203,069)
			(202,596)	(203,069)
Total short positions (-12.4%)			(3,915,263)	(3,125,524)
Less: Transaction costs included in cost of investments			(19,463)	
Total investments (89.1%)			22,093,666	22,650,383
	Contract rate	Pay	Receive	Unrealized gain (loss)
Derivative liabilities:				
The Bank of Nova Scotia, Foreign Currency Forward, 2022/09/07	1.26	USD \$17,501,800	CAD \$22,125,944	(398,891)
Total derivative liabilities (-1.6%)				(398,891)
Cash (10.9%)				2,777,628
Other assets less liabilities (1.6%)				403,839
Total net assets attributable to holders of redeemable units (100.0%)				25,432,959

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited)

Six months ended June 30, 2022

1. The Funds

The Pender Alternative Mutual Funds (individually a “Fund” and collectively the “Funds”) include the following:

	Commencement of operations	Classes
Alternative Absolute Return Fund	September 1, 2021	A, AF, F, FF, H, I, N, O
Alternative Arbitrage Fund	September 8, 2021	A, AF, F, FF, H, I, N, O

The Funds were formed on August 4, 2021, as open-end investment trusts governed under the laws of the Province of British Columbia pursuant to the Nineteenth Amended and Restated Mutual Fund Trust Agreement dated August 15, 2022 (previously the Eighteenth Amended and Restated Mutual Fund Trust Agreement dated July 26, 2022). Effective February 11, 2022, for the Pender Alternative Absolute Return Fund and March 31, 2022 for the Pender Alternative Arbitrage Fund, the Manager closed Class AF and Class FF units of the Funds to buy and switch in trades. The Funds continue to allow redemption, switch out and transfer out trades for those closed classes.

The Funds’ registered office is located at 1830 - 1066 West Hastings Street, Vancouver, BC, V6E 3X2.

The Manager of the Funds is PenderFund Capital Management Ltd. (The “Manager”).

2. Basis of preparation:

(a) Statement of compliance:

The financial statements of the Funds are prepared under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These financial statements were authorized for issue by the Manager on August 26, 2022.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments, investments sold short and derivatives, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, the Funds’ functional currency.

(d) Use of estimates and judgment:

The preparation of these 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 and in any future period affected.

The Funds may hold financial instruments that are not quoted in an active market, including derivatives.

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.

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL for which transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the particular Fund becomes a party to the contractual provisions of the instrument. The Funds derecognize a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position only when the Funds have a legal right to offset the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and/or interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is both to hold assets to collect contractual cash flows and to potentially sell financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and/or interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Funds may irrevocably elect to measure financial assets that otherwise meet the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial assets are not reclassified subsequent to their initial recognition, unless the Funds change their business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Funds may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

(ii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Funds classify cash, receivable for investments sold, subscriptions receivable, dividends receivable, interest receivable, other receivable, management and administration fees payable, payable for investments purchased, redemptions payable to holders of redeemable units, distributions payable to holders of redeemable units, payable for interest and dividends on short securities, and interest and borrow fees payable as amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

(iii) Derivative transactions:

The Funds may use derivative contracts to manage risks associated with the investments. The derivatives are classified as FVTPL and, as a result, the contracts are measured at fair value on the valuation date and the resulting gains and losses, both realized and unrealized, are recognized in the Statements of Comprehensive Income. Gains and losses arising from changes in fair value of derivatives are shown in the Statements of Comprehensive Income as "Net change in unrealized appreciation (depreciation) of investments and derivatives" and as "Net realized gain (loss) of investments and derivatives" when positions are closed out or have expired, where applicable.

(iv) Short sales

The Funds may sell securities short, by selling a borrowed security in anticipation of a decline in the market value of that security. Short sales are held for trading and are consequently classified as financial liabilities at FVTPL. Interest and dividends on investments sold short are accrued as incurred and are reported as a liability in the Statements of Financial Position in "Payable for interest and dividends on short securities" and in the Statements of Comprehensive Income in "Dividend and interest expense on securities sold short".

(v) Fair value through profit and loss:

Financial assets and liabilities classified as FVTPL are recognized initially at fair value at each reporting period with changes in fair value recognized in the Statements of Comprehensive Income in the period in which they occur. The Funds' derivative assets and derivative liabilities, investments in securities, and investments sold short are classified as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) is based on quoted market prices at the close of trading on the reporting date. The Funds use the last traded market price for both financial assets and financial liabilities. In circumstances where there is no closing price, the average of the closing bid and the closing ask price on the valuation date is used. The Funds' policy is to recognize transfers into and out of the fair value hierarchy levels described in Note 9 as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including non-publicly traded derivative instruments, is determined using valuation techniques. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other methods commonly used by market participants that make the maximum use of observable inputs. Where the value of a financial asset or liability is not readily available or where the Manager is of the opinion that the value available is inaccurate or unreliable, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(vi) Fair Value through other comprehensive income:

The Funds have not classified any of their financial assets or liabilities as FVOCI.

(b) Redeemable units

The Funds classify financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Funds have designated redeemable units as financial liabilities at FVTPL because they are managed, and their performance is evaluated, on a fair value basis. The redeemable units provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Funds' valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

(c) Per unit amounts:

Net assets attributable to holders of redeemable units is calculated based on the number of units outstanding at the end of the period. The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the period.

(d) Foreign exchange:

The financial statements of the Funds are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the Statements of Comprehensive Income.

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

(e) Income recognition:

Interest for distribution purposes shown on the Statements of Comprehensive Income is recognized on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(f) Income taxes:

The Funds qualify as unit trusts under the *Income Tax Act* (Canada). All of the Funds' net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Funds. As a result, the Funds do not record income taxes.

4. Related party transactions

(a) Management fees:

Each Fund pays management fees calculated as a percentage of the net asset value of each respective class. Management fees are subject to applicable taxes such as GST or HST. The fees are calculated at the close of business on each valuation day and are paid monthly. The management fees charged to the Fund by the Manager are intended to cover, among other things, investment management costs, including any portfolio advisory fees, as well as distribution, marketing and promotion of the Fund. The management fees for Class O units are negotiable and paid directly by the investors and not by the Funds. The annual management fee percentages before applicable taxes such as GST or HST of the remaining classes as at June 30, 2022 and December 31, 2021 are as follows:

As at June 30, 2022	Class A (%)	Class AF (%)	Class F (%)	Class FF (%)
Alternative Absolute Return Fund*	1.80	1.15	0.80	0.15
Alternative Arbitrage Fund*	1.80	1.15	0.80	0.15

As at June 30, 2022 (cont'd)	Class H (%)	Class I (%)	Class N (%)
Alternative Absolute Return Fund*	1.50	0.65	0.30
Alternative Arbitrage Fund*	1.50	0.65	0.30

As at December 31, 2021	Class A (%)	Class AF (%)	Class F (%)	Class FF (%)
Alternative Absolute Return Fund*	1.80	1.15	0.80	0.15
Alternative Arbitrage Fund*	1.80	1.15	0.80	0.15

As at December 31, 2021 (cont'd)	Class H (%)	Class I (%)	Class N (%)
Alternative Absolute Return Fund*	1.50	0.65	0.30
Alternative Arbitrage Fund*	1.50	0.65	0.30

* Refer to note 4 (b) below for further details.

The Management Expense Ratio ("MER") before applicable taxes such as GST or HST for each class does not exceed certain levels as set out in the Fund's offering documents. Please refer to the tables in notes 4 (b) below.

(b) Administration fees and other expenses:

Each Fund pays an administration fee calculated as a percentage of the net asset value of each respective class equal to 0.50%. Administration fees are subject to applicable taxes such as GST or HST. The fees are calculated at the close of business on each valuation day and are paid monthly. In exchange for the fee, the Manager pays the operating costs of each Fund (including administrative and operating expenses, registrar and transfer agency fees, custody fees, unitholder servicing costs, costs of prospectus and reports, regulatory fees, and audit and legal fees) other than taxes, brokerage commissions, transaction costs and Independent Review Committee ("IRC") fees. The administration fees for Class O units are negotiable and paid directly by the investors and not by the Funds.

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

The Management Expense Ratio ("MER") before applicable taxes such as GST or HST for each class does not exceed certain levels as set out in the Fund's offering documents. The Manager has agreed to cap the management fees, administration fees and other expenses before applicable taxes such as GST or HST charged to each Fund class so that the management expense ratio ("MER") before applicable taxes such as GST or HST as at June 30, 2022 and December 31, 2021, expressed as a percentage of average NAV, does not exceed the following rates:

As at June 30, 2022	Class A (%)	Class AF (%)	Class F (%)	Class FF (%)
Alternative Absolute Return Fund*	2.30	1.65	1.30	0.65
Alternative Arbitrage Fund*	2.30	1.65	1.30	0.65

As at June 30, 2022 (cont'd)	Class H (%)	Class I (%)	Class N (%)
Alternative Absolute Return Fund*	2.00	1.15	0.80
Alternative Arbitrage Fund*	2.00	1.15	0.80

As at December 31, 2021	Class A (%)	Class AF (%)	Class F (%)	Class FF (%)
Alternative Absolute Return Fund*	2.30	1.65	1.30	0.65
Alternative Arbitrage Fund*	2.30	1.65	1.30	0.65

As at December 31, 2021 (cont'd)	Class H (%)	Class I (%)	Class N (%)
Alternative Absolute Return Fund*	2.00	1.15	0.80
Alternative Arbitrage Fund*	2.00	1.15	0.80

* The Manager, at its discretion, may reduce or waive management fees and reimburse the Funds for any expenses. During the period from January 1, 2022 through to January 31, 2022, the Manager waived all management and administration fees of \$28,476 for the Pender Alternative Absolute Return Fund. During the period from January 1, 2022 through to March 31, 2022, the Manager waived all management and administration fees of \$28,564 for the Pender Alternative Arbitrage Fund.

(c) Performance fees:

The Manager is also entitled to a performance fee plus applicable taxes such as GST or HST in all classes of units of the Funds. For Class O units, this fee is or will be charged directly to Unitholders, as applicable. For the Pender Alternative Absolute Return Fund, the performance fee is equal to 15% of the amount by which the total return of the class of units exceeds a 3% hurdle rate, for the period since the performance fee was last paid, subject to accumulation in years where no performance fee is paid, provided that the total return of the relevant class of units for such period exceeds the previous high-water mark (as described below). For the Pender Alternative Arbitrage Fund, the performance fee is equal to 15% of the amount by which the total return of the class of units exceeds the previous high-water mark (as described below) for each applicable class of units for the period since the performance fee was last paid. Performance fees are subject to applicable taxes such as GST or HST.

Performance fees are calculated and accrued daily and such accrued fees will be paid by the Funds at the end of each year. The Manager has reserved the right to change the period for which any performance fee may be paid by a Fund. The Manager, at its discretion, may reduce or waive performance fees.

The high-water mark of a class of units is the net asset value of the class as at the most recent determination date on which a performance fee was payable. As at June 30, 2022, the Pender Alternative Absolute Return Fund had accrued a crystallized performance fee of \$509 due to redemptions during the period, and its high-water mark remained at \$10.00 per unit. However, the adjusted high-water mark, which reflects the distributions that were paid out to investors, including the December 2021 distribution, was \$9.76 per unit for Class A, Class F, Class H, Class I and Class N, \$9.77 per unit for Class AF and \$9.78 per unit for Class FF. As at June 30, 2022, The Pender Alternative Arbitrage Fund had accrued a crystallized performance fee of \$232 due to redemptions during the period, and its high-water mark was reset on December 31, 2021, to \$10.19 per unit for all classes. As at June 30, 2022, the Pender Alternative Arbitrage Fund accrued a net performance fee of \$8,275.

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

As at June 30, 2022 and December 31, 2021, the Funds had the following performance fees payable to the Manager before any deduction for performance fees waived by the Manager.

	As at June 30, 2022 (\$)	As at December 31, 2021 (\$)
Alternative Absolute Return Fund	509	Nil
Alternative Arbitrage Fund	44,661	42,580

During the period from January 1, 2022 to March 31, 2022, the Manager waived performance fees of \$36,386 for the Pender Alternative Arbitrage Fund.

(d) Amounts payable to the Manager:

As at June 30, 2022 and December 31, 2021, the Funds had the following amounts payable to the Manager relating to management fees, administration fees, performance fees (as applicable) and other expenses, and related taxes, incurred by the Manager on behalf of the Funds:

	As at June 30, 2022 (\$)	As at December 31, 2021 (\$)
Alternative Absolute Return Fund	88,942	7,353
Alternative Arbitrage Fund	23,127	-

From time to time the Manager may reduce the effective management fee payable by some unitholders by reducing the management fee it charges to the Funds and directing the Funds to make distributions to these unitholders in amounts equal to the management fee reduction.

(e) Related party holdings:

As at June 30, 2022 and December 31, 2021, parties related to the Manager directly or indirectly held the following percentages of each Fund's outstanding units. Subscriptions and redemptions of related parties are subject to the same terms and conditions as those of arm's length investors in the Funds.

	As at June 30, 2022 (%)	As at December 31, 2021 (%)
Alternative Absolute Return Fund	<1	1
Alternative Arbitrage Fund	1	2

5. Withholding tax expense

Certain dividend and interest income received by the Funds is subject to withholding tax imposed in the country of origin. During the period, withholding tax rates were between 0% and 35%.

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

6. Redeemable units:

The Funds are authorized to issue an unlimited number of redeemable units in an unlimited number of classes. The redeemable unit transactions for the Funds during the period ended June 30, 2022 were as follows:

As at June 30, 2022	Outstanding units, beginning of period	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of period
Alternative Absolute Return Fund:					
Class A	512	228,845	829	(23,430)	206,756
Class AF	265,312	639,649	11,009	(26,932)	889,038
Class F	512	1,195,101	3,885	(377,061)	822,437
Class FF	3,265,237	4,801,451	150,916	(459,613)	7,757,991
Class H	512	205,329	1,966	(70,305)	137,502
Class I	13,156	2,462,572	17,487	(76,222)	2,416,993
Class N	512	24,875	519	-	25,906
Class O	528,823	176,370	20,695	(8,010)	717,878
Alternative Arbitrage Fund:					
Class A	501	4,962	-	-	5,463
Class AF	174,926	68,734	-	-	243,660
Class F	501	74,567	-	(14,585)	60,483
Class FF	972,836	703,525	-	(39,481)	1,636,880
Class H	501	5,674	-	-	6,175
Class I	501	63,188	-	-	63,689
Class N	501	-	-	-	501
Class O	16,528	434,892	-	-	451,420

7. Capital management

The capital of each Fund is represented by its redeemable units issued. The Funds are not subject to any internally or externally imposed restrictions on their capital. The Funds' objective in managing capital is to ensure a stable base to maximize returns to all unitholders and to manage liquidity risk arising from unitholder redemptions.

8. Financial risk management:

The Funds are exposed to various financial risks associated with their respective investment objectives and strategies, financial instruments and the markets in which they invest. These include credit risk, liquidity risk, and market risk, which consists of currency risk, interest rate risk and other price/market risk.

The Manager manages the potential impact of these financial risks on the Funds' performance by employing professional and experienced portfolio advisors who regularly monitor the Funds' positions and market events and diversify investment portfolios within the constraints of the investment guidelines. Each Fund maintains positions in a variety of financial instruments in accordance with its investment objectives and strategies.

Pender Alternative Absolute Return Fund:

The objective of the Pender Alternative Absolute Return Fund is to maximize absolute returns over a complete market cycle by providing long-term capital growth and income, with low volatility of returns. The Fund will invest primarily in a portfolio of North American fixed income securities but may also invest in foreign and other securities.

Pender Alternative Arbitrage Fund:

The objective of the Pender Alternative Arbitrage Fund is to generate consistent, positive returns, with low volatility and low correlation to equity markets by investing primarily in North American securities. The Fund may also invest in foreign and other securities.

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

A Fund's exposure to financial risks is concentrated in its investment holdings. The Schedule of Investment Portfolio for each Fund groups securities by asset type, geographic region, and/or market segment. The Manager's risk management practices include the monitoring of compliance with investment objectives and strategies. The Manager manages the potential effects of these financial risks on each Fund's performance by regularly monitoring each Fund's positions and market events and by diversifying investment portfolios within the constraints of each Fund's investment objective.

Financial risk includes the risk that global pandemics, natural disasters and other catastrophic events may impact markets and security prices. Certain significant events in recent years have increased financial risk. In particular, the conflict between Russia and Ukraine, the ongoing 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 resulting from geopolitical events, COVID-19, its variants and the pandemic, and the impact of central bank measures, factors which are beyond the Funds' control.

(a) Credit risk:

Credit risk is the risk that a loss could arise due to a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The determination of fair value of debt securities includes a consideration of the creditworthiness of the debt issuer. The credit exposure of other assets is represented by their carrying amounts.

Credit risk is managed by the portfolio advisor of each Fund through a careful selection of securities and diversification within each respective Fund. Each Fund's portfolio advisor monitors the overall market positions of the Fund, and positions are maintained within established ranges.

The Pender Alternative Arbitrage Fund is not exposed to any significant credit risk. The following table summarizes the maximum exposure to credit risk for the Pender Alternative Absolute Return Fund as at June 30, 2022 and December 31, 2021, categorized by credit ratings.

	As at June 30, 2022 (\$)	As at December 31, 2021 (\$)
Long positions:		
AAA	6,359,855	-
AA	6,318,527	-
A	3,203,607	-
BBB	3,837,500	1,954,291
Below BBB	116,567,360	41,363,796
Unrated	1,286,870	1,259,201
	137,573,719	44,577,288
Short positions:		
AAA	(23,298,612)	(6,609,876)
Below BBB	(2,119,877)	(812,318)
	(25,418,489)	(7,422,194)
	112,155,230	37,155,094

(b) Liquidity risk

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligations on time or at a reasonable price.

Each Fund is exposed to liquidity risk through unitholder redemptions of its units. The redeemable units of each Fund are issued and redeemed on demand at the option of the unitholder based on the then current NAV per class of unit.

Each Fund is also exposed to liquidity risk through its investments. This risk is managed by investing the majority of each Fund's assets in investments that are traded in an active market and that can be disposed of readily. In the case where the Funds hold thinly traded investments, timely disposition of such investments and the realized price may be significantly different from their carrying values.

The Funds' remaining non-derivative liabilities other than redeemable units are due within one month of the reporting date of the respective Fund. The following table presents the contractual maturities of derivative assets (liabilities) of the Funds as at June 30, 2022 and December 31, 2021 that were due within three months of the financial reporting date. The amounts are gross and undiscounted.

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

	As at June 30, 2022		As at December 31, 2021	
	Nominal value (\$)	Unrealized gain (loss) (\$)	Nominal value (\$)	Unrealized gain (loss) (\$)
Alternative Absolute Return Fund:				
Derivative instruments:				
Inflows (Outflows)	79,466,168	(1,423,647)	31,022,725	309,100
Alternative Arbitrage Fund:				
Derivative instruments:				
Inflows (Outflows)	22,125,944	(398,891)	8,642,568	71,774

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Funds' income or the fair value of their holdings of financial instruments. These changes present the risk that markets as a whole may go down in value, including the possibility that markets may go down sharply and unpredictably at times. The value of most investments, and in particular equity securities, is affected by changes in general market conditions. These changes may be caused by corporate developments, general market sentiment, changes in interest rates, changes in the level of inflation, political and economic changes both domestic and foreign, catastrophic events, such as pandemics and outbreaks of disease, natural disasters including those exacerbated by climate change, war, acts of aggression or terrorist events, and other unforeseen events that may cause changes to markets.

(i) Interest rate risk:

Interest rate risk is the risk that the market value of a Fund's interest-bearing investments will fluctuate due to changes in market interest rates. A Fund's exposure to interest rate risk is concentrated in its investment in debt securities. Other assets and liabilities are short-term in nature and/or non-interest bearing, which reduce interest rate risk.

Interest rate risk is managed by the portfolio advisor of each Fund through a careful selection of securities and diversification within each respective Fund. Where applicable, the Fund's portfolio advisor monitors the Fund's overall duration and positions are maintained within established ranges.

The Pender Alternative Arbitrage Fund is not exposed to any significant interest rate risk.

The following table summarizes the exposure to interest rate risk for the Pender Alternative Absolute Return Fund as at June 30, 2022 and December 31, 2021, categorized by the earlier of contractual re-pricing or maturity dates:

	As at June 30, 2022 (\$)	As at December 31, 2021 (\$)
Long position:		
Less than 1 year	19,719,489	-
1 to 3 years	8,460,999	1,560,307
3 to 5 years	46,070,223	22,788,848
More than 5 years	63,323,008	20,228,133
	137,573,719	44,577,288
Short position:		
More than 5 years	(25,418,489)	(7,422,194)
	(25,418,489)	(7,422,194)
	112,155,230	37,155,094

As at June 30, 2022 and December 31, 2021, if the prevailing interest rates had been increased or decreased by 1%, assuming a parallel shift in the yield curve and all other factors remaining constant, the net assets of the Pender Alternative Absolute Return Fund with exposure to interest rate risk would have decreased or increased by \$3,462,979 and \$1,410,198, respectively.

Interest rate sensitivity was determined based on portfolio-weighted, modified duration. Actual results may differ from this sensitivity analysis and the difference could be material.

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

(ii) Currency risk:

Currency risk is the risk that the value of financial assets and liabilities denominated in currencies other than the Canadian dollar will fluctuate due to changes in foreign exchange rates. Equities in foreign markets and foreign bonds are exposed to currency risk as the prices denominated in foreign currencies are converted to Canadian dollars at the valuation date.

Currency risk is managed by the portfolio advisor of each Fund in accordance with the policies and procedures in place, through a careful selection of securities and diversification within each respective Fund. Each Fund's portfolio advisor monitors the overall market positions of the Fund on a daily basis and positions are maintained within established ranges.

The Funds enter into certain forward foreign currency contracts to mitigate its foreign currency exposure for all classes.

The net currency exposure for each of the Funds as at June 30, 2022 and December 31, 2021 was as follows:

	Canadian dollar (\$)	US dollar (\$)	Total (\$)
As at June 30, 2022			
Alternative Absolute Return Fund	113,203,677	12,919,019	126,122,696
Alternative Arbitrage Fund	25,482,107	(49,148)	25,432,959

	Canadian dollar (\$)	US dollar (\$)	Total (\$)
As at December 31, 2021			
Alternative Absolute Return Fund	40,483,481	262,925	40,746,406
Alternative Arbitrage Fund	11,976,224	(90,872)	11,885,352

As at June 30, 2022 and December 31, 2021, if the Canadian dollar had strengthened or weakened by 10% in relation to all foreign currencies, with all other factors remaining constant, the net assets of the Funds would have decreased or increased respectively by the following amounts:

	As at June 30, 2022 (\$)	As at December 31, 2021 (\$)
Alternative Absolute Return Fund	1,291,902	26,293
Alternative Arbitrage Fund	(4,915)	(9,087)

(iii) Other price risk:

Other price risk is the risk that the fair value of a security will fluctuate as a result of changes in market prices (other than those changes arising from interest rate risk or currency risk), whether caused by factors specific to the security or its issuer, or by factors affecting all similar securities traded in a market. All investments are exposed to other price risk.

Other price risk is managed by the portfolio advisor of each Fund through a careful selection of securities within specified limits and the Funds' price risk is managed through diversification within each respective Fund. Each Fund's portfolio advisor monitors the overall market positions of the Fund and maintains positions within established ranges. The Schedule of Investment Portfolio summarizes each Fund's exposure to other price risk as at June 30, 2022, by providing the market sector breakdown of investments, as applicable. Potential losses from securities sold short can be unlimited.

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

The following table summarizes the exposure to other price risk for each of the Funds as at June 30, 2022 and December 31, 2021:

	As at June 30, 2022 (\$)	As at December 31, 2021 (\$)
Long position		
Alternative Absolute Return Fund	197,906	498,074
Alternative Arbitrage Fund	25,775,907	9,273,907
Short position		
Alternative Absolute Return Fund	(26,991,757)	(4,481,024)
Alternative Arbitrage Fund	(3,125,524)	(1,727,107)

As at June 30, 2022 and December 31, 2021, if equity prices had increased or decreased by 10% with all other factors remaining constant, the net assets of the Funds would have increased or decreased by the following amounts:

	As at June 30, 2022 (\$)	As at December 31, 2021 (\$)
Alternative Absolute Return Fund	(630,613)	(140,139)
Alternative Arbitrage Fund	1,445,201	404,102

Price sensitivity was determined based on portfolio-weighted beta. Actual results may differ from this sensitivity analysis and the difference could be material.

(d) Leverage risk:

When a Fund makes investments in derivatives, borrows cash for investment purposes, or uses physical short sales on equities, fixed income securities or other portfolio assets, leverage may be introduced into the Fund. Leverage occurs when the Funds' aggregate gross exposure to underlying assets is greater than the amount invested. Leverage may increase volatility, may impair the Funds' liquidity and may necessitate that the Funds liquidate positions at unfavourable times.

The aggregate gross exposure of the Funds, calculated as the sum of the following, must not exceed three times the Funds' net asset value: (i) the aggregate value of the Funds' outstanding indebtedness under any borrowing agreements; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the Funds' specified derivatives positions excluding any specified derivatives used for hedging purposes. The following table summarizes the Funds' lowest and highest aggregate gross exposure of the Funds' net asset value during the period from January 1, 2022 to June 30, 2022, and from commencement of operations to December 31, 2021:

June 30, 2022	Lowest aggregate (%)	Highest aggregate (%)
Alternative Absolute Return Fund	29.31	48.57
Alternative Arbitrage Fund	10.17	21.26
<hr/>		
December 31, 2021	Lowest aggregate (%)	Highest aggregate (%)
Alternative Absolute Return Fund	0.00	46.32
Alternative Arbitrage Fund	0.00	22.87

The primary source of leverage was cash borrowing, short sales, and derivative contracts. The low and high end of the range are as a result of the Fund's investing activities and timing of subscriptions and/or redemptions. The Funds' strategy is outlined in the Simplified Prospectus.

The Manager monitors to ensure that the Fund's aggregate gross exposure is less than three times the Fund's net asset value.

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

9. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Funds determine fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Funds measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the funds can access at the measurement date.
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., as derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Funds use widely recognized valuation models for determining the fair value of common and relatively simple financial instruments, such as debt 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 contracts. 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. Valuation techniques may include discounted cash flow calculations for debt securities and for forward foreign currency contracts, option pricing matrices for warrants and net asset value as published by underlying fund managers for mutual fund units.

For more complex instruments, the Funds use recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, 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 these types of instruments, 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 relevant considerations. Adjustments to the carrying value of the investments may also be determined to be appropriate by the Manager when there is pervasive and objective evidence of a decline in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts, or other developments since acquisition.

The table below presents the fair value of financial instruments as at June 30, 2022 and December 31, 2021 by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statements of Financial Position. All fair value measurements below are recurring.

As at June 30, 2022	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Alternative Absolute Return Fund:				
Bonds and loans - Long	137,573,719	-	-	137,573,719
Equities - Long	197,906	-	-	197,906
Bonds and loans - Short	(25,418,489)	-	-	(25,418,489)
Exchange-traded funds - Short	(25,602,068)	-	-	(25,602,068)
Equities - Short	(1,389,689)	-	-	(1,389,689)
Forward foreign currency contracts	-	(1,423,647)	-	(1,423,647)
	85,361,379	(1,423,647)	-	83,937,732

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

As at June 30, 2022	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Alternative Arbitrage Fund:				
Equities - Long	25,751,907	-	-	25,751,907
Equities - Short	(3,125,524)	-	-	(3,125,524)
Forward foreign currency contracts	-	(398,891)	-	(398,891)
Warrants	24,000	-	-	24,000
	22,650,383	(398,891)		22,251,492
<hr/>				
As at December 31, 2021	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Alternative Absolute Return Fund:				
Bonds and loans - Long	44,577,288	-	-	44,577,288
Equities - Long	498,074	-	-	498,074
Bonds and loans - Short	(7,422,194)	-	-	(7,422,194)
Exchange-traded funds - Short	(3,891,375)	-	-	(3,891,375)
Equities - Short	(589,649)	-	-	(589,649)
Forward foreign currency contracts	-	309,100	-	309,100
	33,172,144	309,100	-	33,481,244
<hr/>				
Alternative Arbitrage Fund:				
Equities - Long	9,273,907	-	-	9,273,907
Equities - Short	(1,727,107)	-	-	(1,727,107)
Forward foreign currency contracts	-	71,774	-	71,774
	7,546,800	71,774	-	7,618,574

The carrying amount of the Funds' net assets attributable to holders of redeemable units also approximates fair value as it is measured at the redemption amount and classified as Level 2 in the fair value hierarchy.

There were no transfers between the levels during the period ended June 30, 2022 and the period of commencement of operations to December 31, 2021 of each fund.

(b) Short selling:

If a Fund sells a security short, it will borrow that security from a broker to complete the sale. The Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Fund closes out its short position by buying that security. There can be no assurance that a Fund will be able to close out a short position at an acceptable time or price. Until the Fund replaces a borrowed security, it will maintain adequate margin with the broker consisting of cash and liquid securities.

	As at June 30, 2022 (\$)	As at December 31, 2021 (\$)
Alternative Absolute Return Fund	(52,410,246)	(11,903,218)
Alternative Arbitrage Fund	(3,125,524)	(1,727,107)

PENDER ALTERNATIVE MUTUAL FUNDS: Notes to Financial Statements (Unaudited) (cont'd)

Six months ended June 30, 2022

10. Income taxes

The taxation year-end of the Funds is December 15. As at the end of the 2021 tax year-end, the Funds had accumulated capital losses available for utilization against realized capital gains in future years. Capital losses have no expiry date.

	2021 (\$)
Alternative Absolute Return Fund	318,063
Alternative Arbitrage Fund	50,673

As at the end of the tax year-end, the Funds had no accumulated non-capital losses available for carry forward.



**Unaudited Semi-Annual Financial Statements of
PENDER ALTERNATIVE MUTUAL FUNDS**

MANAGED BY:
PENDERFUND CAPITAL MANAGEMENT LTD.
1830 – 1066 West Hastings St. Vancouver, BC V6E 3X2
TELEPHONE 604 688-1511 FACSIMILE 604 563-3199 TOLL FREE 1 866 377-4743
www.penderfund.com