

Signatory of:



PENDER LIQUID ALTERNATIVES

PENDER ALTERNATIVE ABSOLUTE RETURN FUND

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This document contains key information you should know about Pender Alternative Absolute Return Fund. You can find more detailed information in the fund's simplified prospectus. Ask your representative for a copy, contact PenderFund Capital Management Ltd. (Pender) at 1-866-377-4743 or info@penderfund.com or visit www.penderfund.com.

Before you invest in any fund, consider how it would work with your other investments and your tolerance for risk.

This mutual fund is an alternative mutual fund. It is permitted to invest in asset classes or use investment strategies that are not permitted for conventional mutual funds. The specific strategies that differentiate this fund from conventional mutual funds include: Increased use of derivatives for hedging and non-hedging purposes; increased ability to sell securities short; the ability to borrow cash to use for investment purposes; and increased ability to invest in physical commodities. While these strategies will be used in accordance with the fund's investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value.

Quick facts

| | | | |
|--|-----------------|------------------------------|--|
| Fund code: | PGF2010 | Fund manager: | PenderFund Capital Management Ltd. |
| Date class started: | August 25, 2021 | Portfolio manager(s): | Justin Jacobsen, CFA, PenderFund Capital Management Ltd. |
| Total value of the fund on June 30, 2022: | \$125.7 million | Distributions: | Net income monthly; net capital gains annually. Automatically reinvested in additional units; cash upon request. |
| Management expense ratio (MER): | 0.00% | Minimum investment: | \$5,000 initial, \$100 additional |

What does the fund invest in?

The fund invests primarily in a portfolio of North American fixed income securities but may also invest in foreign and other securities. The fund will use alternative investment strategies including the use of leverage. The leverage will be created through the use of cash borrowings, short sales and derivative contracts. The fund's leverage must not exceed 300% the fund's net asset value. The leverage will be calculated in accordance with the methodology prescribed by securities laws.

The charts below give you a snapshot of the fund's investments on June 30, 2022. The fund's investments will change.

Top 10 investments - (June 30, 2022)

1. U.S. Treasury Note, 2.875%, 15-May-32
2. iShares iBoxx \$ High Yield Corporate Bond ETF
3. SPDR Bloomberg Barclays High Yield Bond ETF
4. U.S. Treasury Note, 1.375%, 15-Nov-31
5. U.S. Treasury Note, 0.000%, 22-Dec-22
6. Videotron Ltd., 5.750%, 15-Jan-26
7. Apple Inc., 0.750%, 11-May-23
8. Vermilion Energy Inc., 6.875%, 01-May-30
9. iShares Russell 2000 ETF
10. Cedar Fair, L.P., 6.500%, 01-Oct-28

Total percentage of top 10 investments

Total number of investments

Investment mix - (June 30, 2022)

| | | |
|--------------|------------------------------------|--------|
| -8.1% | US corporate bonds and loans | 76.2% |
| -6.0% | Cash | 32.1% |
| -5.6% | Canadian corporate bonds and loans | 26.4% |
| -5.3% | Exchange-traded funds | -20.4% |
| 5.1% | Government bonds | -13.4% |
| 5.1% | US equities | -1.1% |
| 5.0% | Canadian equities | 0.2% |
| 4.6% | | |
| -4.5% | | |
| 4.4% | | |
| -5.3% | | |
| 62 | | |

How risky is it?

The value of the fund can go down as well as up. You could lose money. One way to gauge risk is to look at how much a fund's returns change over time. This is called "volatility".

In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

Risk rating

Pender has rated the volatility of Class F of the fund as low.

This rating is based on how much the fund's returns have changed from year to year. It doesn't tell you how volatile the fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.

| | | | | |
|-----|---------------|--------|----------------|------|
| Low | Low to Medium | Medium | Medium to High | High |
|-----|---------------|--------|----------------|------|

For more information about the risk rating and specific risks that can affect the fund's returns, see the section titled "What is a Mutual Fund and What are the Risks of Investing in a Mutual Fund" in the fund's simplified prospectus.

No guarantees

Like most mutual funds, this fund doesn't have any guarantees. You may not get back the amount of money you invest.

How has the fund performed?

This section tells you how Class F units of the fund have performed since inception. Returns are after expenses have been deducted. These expenses reduce the fund's returns.

YEAR-BY-YEAR RETURNS

Performance information for this class is not available because it has been in operation for less than one completed calendar year.

BEST and WORST 3-MONTH RETURNS

Performance information for this class is not available because it has been in operation for less than one completed calendar year.

AVERAGE RETURN

Performance information for this class is not available because it has been in operation for less than one completed calendar year.

Who is this fund for?

This fund is suitable for investors who want to maximize the long-term potential growth of their capital. Investors in this fund should have a long-term investment time horizon and a low tolerance for investment risk. This fund is not suitable for those who have a short or medium time horizon for their investment.

A word about tax

In general, you pay income tax on your share of the fund's earnings and on any gains you realize from redeeming your investment. The amount of tax depends on the tax rules and rates that apply to you, and whether you hold the fund in a registered plan, such as an RRSP or TFSA.

Keep in mind that if you hold your fund in a non-registered account, fund distributions are included in your taxable income, whether you get them in cash or have them reinvested.

How much does it cost?

The following tables show the fees and expenses you could pay to buy, own and sell Class F units of the fund. The fees and expenses – including any commissions – can vary among classes of a fund and among funds. Higher commissions can influence representatives to recommend one investment over another. Ask about other funds and investments that may be suitable for you at a lower cost.

1. SALES CHARGES

There are no sales charges for Class F units of the fund.

2. FUND EXPENSES

You don't pay these expenses directly. They affect you because they reduce the fund's returns. Pender waived some of the fund's expenses. If it had not done so, the MER would have been higher. The fund will pay to the Manager a performance fee in relation to Class F units that is equal to 15% of the amount by which the total return of the Class F 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 Class F units for such period exceeds the previous high-water mark, exclusive of taxes. The performance fee is calculated as described in the Simplified Prospectus on a daily basis and paid annually. As of December 31, 2021, the expenses of Class F were 0.16% of the value of this class. This equals \$1.60 for every \$1,000 invested. Class F had no performance fee as at December 31, 2021.

| | Annual rate (as a % of the class' value) |
|--|---|
| Management expense ratio (MER) | 0.00% |
| This is the total of the fund's management fee (including, if applicable, the trailing commission) and administration fee. | |
| Trading expense ratio (TER) | 0.16% |
| These are the fund's trading costs for this class. | |
| Fund expenses | 0.16% |

More about the trailing commission

No trailing commission is paid by Pender to your representative's firm in respect of Class F securities.

3. OTHER FEES

You may have to pay other fees when you buy, hold, sell or switch units of the fund.

| Fee | What you pay |
|-------------------------------|---|
| Short-term trading fee | You may be charged up to 2.00% of the value of units you sell or switch within 30 days of buying them. This fee goes to the fund. |
| Switch fee | Your representative's firm may charge you up to 2.00% of the value of units you switch to another class of the fund or to another fund managed by Pender. |
| Fee-based account fee | You may pay a fee-based account fee, which is negotiated between you and your representative, and paid directly to your representative's firm. Investors who purchase this class of the fund generally participate in an eligible fee-based program with their representative's firm. |

What if I change my mind?

Under the securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual fund units within two business days after you receive a simplified prospectus or Fund Facts document; or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you will also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, annual information form, Fund Facts document; or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

For more information

Contact Pender or your representative for a copy of the fund's simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund's legal documents, which can be found on our website at www.penderfund.com or on the SEDAR website at www.sedar.com.

PenderFund Capital Management Ltd.
1066 W. Hastings St., Suite 1830
Vancouver, BC V6E 3X2
Toll Free: 1-866-377-4743
Fax: 604-563-3199
Email: info@penderfund.com
www.penderfund.com

To learn more about investing in mutual funds, see the brochure **Understanding mutual funds**, which is available on the website of the Canadian Securities Administrators at www.securities-administrators.ca.

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| NET ASSET VALUE | AS OF DEC 31/22 |
|----------------------------|-----------------|
| Class F | \$9.96 |
| Current Yield (%) | 6.17 |
| Yield to Maturity (%) | 7.22 |
| Term to Maturity (years) | 10.14 |
| Effective Duration (years) | 2.17 |
| Total Net Assets of Fund | \$167.80M |

FUND FACTS

| | |
|----------------------------|---|
| Asset Class | Alternative Absolute Return |
| Inception Date | September 1, 2021 |
| Valuations / Distributions | Daily / Monthly |
| Risk Rating | Low |
| Performance Fee | 15% of the amount by which the total return of the class of units exceeds a 3% hurdle rate. |

FUND OVERVIEW

| | |
|---------------|--------------------|
| Legal Counsel | Lawson Lundell LLP |
| Fund Admin | CIBC Mellon |
| Auditor | KPMG LLP |

FUND INFO

| CLASS | CODES | MERs* |
|---------|----------|-------|
| Class A | PGF 2000 | 2.41% |
| Class F | PGF 2010 | 1.38% |
| Class H | PGF 2040 | 2.09% |
| Class I | PGF 2050 | 1.15% |

* MERs are as of 2022-06-30

FUND INFO

| CLASS | US CODES | MGMT FEE | ADMIN |
|---------|----------|----------|-------|
| Class A | PGF 2001 | 1.80% | 0.50% |
| Class F | PGF 2011 | 0.80% | 0.50% |
| Class H | PGF 2141 | 1.50% | 0.50% |
| Class I | PGF 2151 | 0.65% | 0.50% |

MINIMUM INVESTMENT

| | INITIAL | SUBSEQUENT |
|-------------------------------|-----------|------------|
| Class A/F Class A/F (US\$) | \$5,000 | \$100 |
| Class H/I Class H/I (US\$) | \$100,000 | \$100 |

PORTFOLIO MANAGER



PenderFund Capital Management Ltd.
Lead Manager: Justin Jacobsen, CFA

LIQUID ALTERNATIVE

DECEMBER 2022 / CLASS F

Pender Alternative Absolute Return Fund

The **Pender Alternative Absolute Return Fund** is a flexible, high yield focused alternative credit strategy that aims to produce positive absolute returns at all stages of the economic cycle. This low-risk strategy can be used to provide diversification benefits to clients with low correlation to traditional equity and fixed income investments.

PERFORMANCE (%)

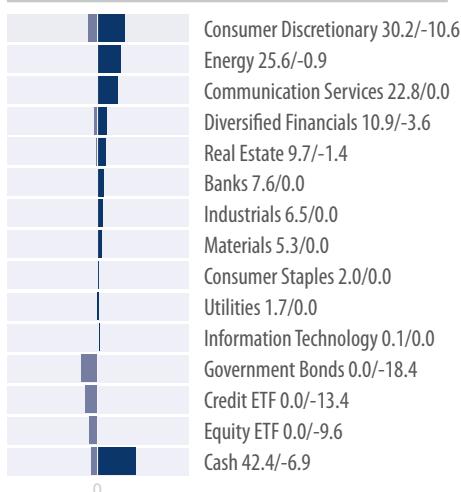
| 1 Mo. | 3 Mo. | 6 Mo. | 1 Year | 2022 YTD | SINCE INCEPTION |
|-------|-------|-------|--------|----------|-----------------|
| 1.2 | 2.8 | 6.6 | 6.3 | 6.3 | 6.5 |

DISTRIBUTIONS (\$)

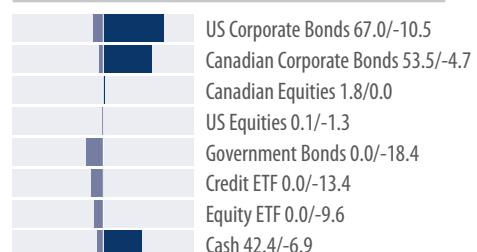
| Jan 22 | Feb 22 | Mar 22 | Apr 22 | May 22 | Jun 22 | Jul 22 | Aug 22 | Sep 22 | Oct 22 | Nov 22 | Dec 22 | SINCE INCEPTION |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------|
| 0.06 | 0.02 | 0.05 | 0.05 | 0.06 | 0.03 | 0.04 | 0.04 | 0.05 | 0.06 | 0.06 | 0.12 | 0.88 |

Since inception returns and distributions are from Sep 2021. All returns greater than a year are annual compounded returns.

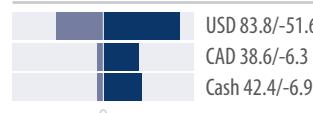
SECTOR ALLOCATION (%) Long/Short



ASSET ALLOCATION (%) Long/Short



CCY ALLOCATION (%) Long/Short



RESTRICTIONS (%)

| | ACTUAL | LIMIT (NAV) |
|-------------|--------|-------------|
| Leverage | -64.8 | 300 |
| Short Sales | -57.9 | 100 |

TOP 10 HOLDINGS

| (Combined) | FUND (%) |
|--|----------|
| XHR LP, 4.875%, 01-Jun-29 | 7.6 |
| SPDR Bloomberg Barclays High Yield Bond ETF | -6.9 |
| iShares iBoxx \$ High Yield Corporate Bond ETF | -6.5 |
| Rogers Communications Inc., 3.750%, 15-Apr-29 | 5.5 |
| Valvoline Inc., 4.250%, 15-Feb-30 | 5.3 |
| SPDR S&P 500 ETF Trust | -5.2 |
| Tamarack Valley Energy Ltd., 7.250%, 10-May-27 | 5.0 |
| Teine Energy Ltd., 6.875%, 15-Apr-29 | 4.6 |
| U.S. Treasury Note, 2.875%, 15-May-32 | -4.5 |
| Vermilion Energy Inc., 6.875%, 01-May-30 | 4.5 |

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PORTRAIT



JUSTIN JACOBSEN, CFA

Justin began his investing career in 2008. He spent 11 years at a highly regarded Canadian investment firm as a member of the firm's fixed income team, contributing research to the Absolute Return and High Yield Bond strategies at the company. Most recently Justin worked as a Senior Portfolio Manager at one of Canada's largest pension fund managers, responsible for managing a high-yield focused credit strategy, generating returns for the underlying pension funds. Justin's investment approach is centered around intelligent security selection across capital structures and markets, supported by active investing. He is focused on uncovering the best risk-adjusted opportunities in every market cycle and dynamically adjusts portfolio positioning to protect and grow capital. His uses strategies such as distressed credit investing, event-driven trading and capital structure arbitrage. Justin holds a BA in Honours History from Western University, an MBA in Finance from Washington State University and earned his Chartered Financial Analyst designation in 2012.

PORTFOLIO MANAGER

Pender was founded in 2003 and is an independent, employee-owned investment firm located in Vancouver, British Columbia. Our goal is to protect and grow wealth for our investors over time. We have a talented investment team of expert analysts, security selectors and independent thinkers who actively manage our suite of differentiated investment funds, exploiting inefficient parts of the investing universe to achieve our goal.

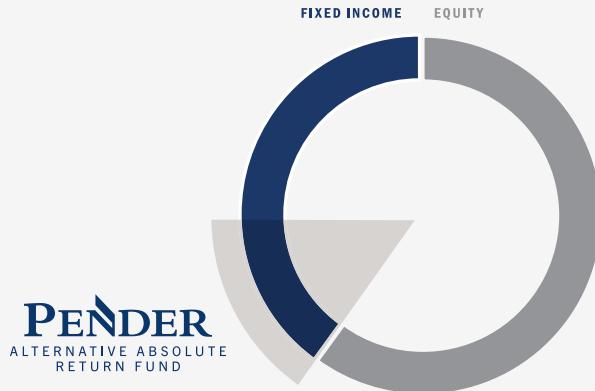
VALUE PROPOSITION

- A flexible high yield focused strategy that aims to generate returns of 7-10% per year over a market cycle.
- Ability to hedge dynamically to manage risk and isolate market inefficiencies.
- Opportunistic trading to capture idiosyncratic opportunities and new credit issuance.

PORTFOLIO FIT

- Aims to offer stable, consistent returns with a low risk profile.
- Historically low correlation to traditional fixed income with the potential ability to protect against rising interest rates.
- An alternative to traditional fixed income.

Alternative Fixed Income



PenderFund Capital Management Ltd.
1830-1066 West Hastings Street,
Vancouver, BC V6E 3X2

Toll Free: 1-866-377-4743
Tel: (604) 688-1511 Fax: (604) 563-3199

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Commissions, trailing commissions, management fees and expenses plus applicable taxes all may be associated with mutual fund investments. Please read the simplified prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in net asset value and assumes reinvestment of all distributions and are net of all management and administrative fees, but do not take into account sales, redemption or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Where the performance of a particular class of a fund is displayed, other classes are available and fees and performance may differ in those other classes. This commentary is intended for information purposes only and does not constitute an offer to buy or sell our products or services nor is it intended as investment and/or financial advice on any subject matter and is provided for your information only. Every effort has been made to ensure the accuracy of its contents.

| NAV PER UNIT | |
|----------------|---------|
| Class A | \$9.89 |
| Class H | \$10.00 |
| Class F | \$9.96 |
| Class I | \$9.90 |
| Class A (US\$) | \$9.85 |
| Class F (US\$) | \$9.90 |
| Class H (US\$) | \$9.85 |
| Class I (US\$) | \$10.00 |

| SUPPLEMENTAL INFORMATION | |
|--------------------------|-------|
| Alpha | 4.11 |
| Beta | 0.01 |
| Correlation | -0.21 |
| Sharpe | 1.24 |
| Standard Deviation | 2.89 |
| Up Capture | 237 |
| Down Capture | 2 |

Supplemental Information Statistics are calculated based on class A units of the fund since the fund's inception date. The actual results for class F units should be substantially similar to above units.

Supplemental statistics are calculated using the FTSE TMX Canada Bond Universe Index.

| BOND RATINGS | % OF FUND | % OF BONDS |
|-------------------|-----------|------------|
| AAA | -18% | -21% |
| AA | 0% | 0% |
| A | 8% | 9% |
| BBB | 16% | 18% |
| Below BBB- | 80% | 93% |
| BB | 41% | 47% |
| B | 39% | 45% |
| CCC | 0% | 0% |
| CC | 0% | 0% |
| C | 0% | 0% |
| Unrated | 1% | 1% |
| Canadian Equities | 2% | |
| US Equities | -1% | |
| Credit ETF | -14% | |
| Equity ETF | -10% | |
| Closed End Funds | 0% | |
| Cash | 36% | |

| TERM TO MATURITY | % OF FUND | % OF BONDS |
|--------------------|-----------|------------|
| Less than 1 year | 9% | 10% |
| 1-5 years | 30% | 34% |
| 5-10 years | 35% | 41% |
| 10-20 years | 1% | 1% |
| More than 20 years | 12% | 14% |
| Non fixed income | 13% | |

| TOP 10 HOLDINGS | 9.4% |
|--|-------|
| XHLR LP, 4.875%, 01-Jun-29 | 7.6% |
| SPDR Bloomberg Barclays High Yield Bond ETF | -6.9% |
| iShares iBoxx \$ High Yield Corporate Bond ETF | -6.5% |
| Rogers Communications Inc., 3.750%, 15-Apr-29 | 5.5% |
| Valvoline Inc., 4.250%, 15-Feb-30 | 5.3% |
| SPDR S&P 500 ETF Trust | -5.2% |
| Tamarack Valley Energy Ltd., 7.250%, 10-May-27 | 5.0% |
| Teine Energy Ltd., 6.875%, 15-Apr-29 | 4.6% |
| U.S. Treasury Note, 2.875%, 15-May-32 | -4.5% |
| Vermilion Energy Inc., 6.875%, 01-May-30 | 4.5% |

OUR INVESTMENT TEAM



JUSTIN JACOBSEN, CFA
Portfolio Manager

Investing since 2008
Experienced in Alternative Investments
Specialized in high yield credit portfolio management,
with expertise across asset classes
Joined Pender in 2021



AMAR PANDYA, CFA
Portfolio Manager

Investing since 2011
Expert in event driven special situations
Focus on M&A
Joined Pender in 2017

Justin began his investing career in 2008. He spent 11 years at a highly regarded Canadian investment firm as a member of the firm's fixed income team, contributing research to the Absolute Return and High Yield Bond strategies at the company. Most recently Justin worked as a Senior Portfolio Manager at one of Canada's largest pension fund managers, responsible for managing a high-yield focused credit strategy, generating returns for the underlying pension funds. Justin's investment approach is centered around intelligent security selection across capital structures and markets, supported by active investing. He is focused on uncovering the best risk-adjusted opportunities in every market cycle and dynamically adjusts portfolio positioning to protect and grow capital. His uses strategies such as distressed credit investing, event-driven trading and capital structure arbitrage. Justin holds a BA in Honours History from Western University, an MBA in Finance from Washington State University and earned his Chartered Financial Analyst designation in 2012.

[Full Biography](#)

Amar began his investment career in 2011 in the Portfolio Management Training Program at a large global financial services company. He moved to pursue his passion for equities becoming an APM at a large-cap equity value firm before being drawn to Pender and the west coast in 2017. As an advocate of a contrarian value investing approach, Amar has expertise in event driven special situations with a primary focus on M&A and balance sheet driven special situations. He holds a Bachelor of Commerce degree in Finance (Honours) from the University of Manitoba. He earned his Chartered Financial Analyst designation in 2015.

[Full Biography](#)

RACHEL ZHANG, CFA
Analyst

Investing since 2018
Portfolio and investment analytics
Joined Pender in 2022



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FOR MORE INFORMATION:

**ERIC TSE**

Vice President,
National Retail Sales
+1 778 996 9861
etse@penderfund.com

**IAN COLLINS**

Vice President,
Business Development
+1 604 219 9598
icollins@penderfund.com

**BEN MYERS**

Regional Vice President,
Ontario
+1 647 203 2736
bmyers@penderfund.com

**TOM TIEN**

Regional Vice President,
Ontario
+1 647 408 3090
ttien@penderfund.com

**RYAN TASCIYAN**

Regional Vice President,
Quebec
+1 514 295 9509
rtasciyan@penderfund.com

**LAURENT GALARNEAU**

Regional Vice President,
Quebec
+1 514 835 8423
lgalarneau@penderfund.com

**PATRICK HOGAN**

Regional Vice President,
Alberta & Manitoba
+1 780 850 4999
phogan@penderfund.com

**SARA EMBURY**

Regional Vice President,
BC & Saskatchewan
+1 604 630 5450
sembury@penderfund.com

**ALEXANDER TOTH**

Regional Sales Manager,
BC
+1 604 630 5451
atoth@penderfund.com

**MICHAEL YOUNG, CFA**

Regional Sales Manager,
Ontario
+1 437 238 4589
myoung@penderfund.com

**LUCY NAIR**

Senior Business Development
Manager, BC & Saskatchewan
+1 778 945 1147
lnair@penderfund.com

**MARC ANTOINE POILBOUT**

Business Development Manager,
Quebec
+1 778 814 6149
mapoilboudt@penderfund.com

**ANNA TALMAN**

Business Development
Manager, Alberta & Manitoba
+1 778 317 3170
atalman@penderfund.com

**GABRIEL WEST**

Business Development Manager,
BC & Alberta
+1 604 907 0828
gwest@penderfund.com

**GEORGIA CLELAND**

Sales Coordinator
+1 604 880 9458
gcleland@penderfund.com

Pender was founded in 2003 and is an independent, employee-owned investment firm located in Vancouver, British Columbia.

Our goal is to protect and grow wealth for our investors over time. We have a talented investment team of expert analysts, security selectors and independent thinkers who actively manage our suite of niche investment funds, exploiting inefficient parts of the investing universe to achieve our goal.

This brochure is subject to the Disclaimer found here: www.penderfund.com/disclaimer

Standard Performance Data for Pender Funds may be found here:

Equity Funds: www.penderfund.com/equity

Fixed Income Funds: www.penderfund.com/fixed-income

Balanced Funds: www.penderfund.com/balanced

Liquid Alternative Funds: www.penderfund.com/liquid-alternative-funds

Standard Performance Information for Funds that have been launched within the last 12 months will be available one year after inception.

For more information on Pender Ventures please visit: www.penderventures.com

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