



Annual Financial Statements of  
**PENDER ALTERNATIVE MUTUAL FUNDS**  
And Independent Auditors' Report thereon  
Year ended December 31, 2022



## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Pender Alternative Mutual Funds (the "Funds") are the responsibility of management. They have been prepared in accordance with International Financial Reporting Standards.

PenderFund Capital Management Ltd. (the "Manager") has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

The Board of Directors of the Manager is responsible for reviewing and approving the financial statements and for overseeing the Manager's performance of its financial reporting responsibilities. The Board of Directors has approved the accompanying financial statements of the Funds.

These financial statements have been audited by KPMG LLP, Chartered Professional Accountants, on behalf of the unitholders. The auditors' report outlines the scope of their audit and their opinion on the financial statements.

March 30, 2023

*(signed) "David Barr"*

---

**David Barr**  
Chief Executive Officer  
PenderFund Capital Management Ltd.

*(signed) "Gina Jones"*

---

**Gina Jones**  
Chief Financial Officer  
PenderFund Capital Management Ltd.



KPMG LLP  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada  
Telephone (604) 691-3000  
Fax (604) 691-3031

## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of the Pender Alternative Funds (collectively, the "Funds")

Pender Alternative Absolute Return Fund

Pender Alternative Arbitrage Fund

Pender Alternative Arbitrage Plus Fund

Pender Alternative Multi-Strategy Income Fund (formerly Pender Value Fund II)

Pender Alternative Special Situations Fund (formerly Pender Special Situations Fund)

### ***Opinion***

We have audited the financial statements of the Funds, which comprise:

- the statements of financial position as at December 31, 2022 and December 31, 2021 (for the year ended December 31, 2022 only for the Pender Alternative Arbitrage Plus Fund)
- the statements of comprehensive income for the years then ended (for the year ended December 31, 2022 and for the period from September 1, 2021 to December 31, 2021 only for the Pender Alternative Absolute Return Fund; for the year ended December 31, 2022 and for the period from September 8, 2021 to December 31, 2021 only for the Pender Alternative Arbitrage Fund; for the period from September 1, 2022 to December 31, 2022 only for the Pender Alternative Arbitrage Plus Fund)
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended (for the year ended December 31, 2022 and for the period from September 1, 2021 to December 31, 2021 only for the Pender Alternative Absolute Return Fund; for the year ended December 31, 2022 and for the period from September 8, 2021 to December 31, 2021 only for the Pender Alternative Arbitrage Fund; for the period from September 1, 2022 to December 31, 2022 only for the Pender Alternative Arbitrage Plus Fund)
- the statements of cash flows for the years then ended (for the year ended December 31, 2022 and for the period from September 1, 2021 to December 31, 2021 only for the Pender Alternative Absolute Return Fund; for the year ended December 31, 2022 and for the period from September 8, 2021 to December 31, 2021 only for the Pender Alternative Arbitrage Fund; for the period from September 1, 2022 to December 31, 2022 only for the Pender Alternative Arbitrage Plus Fund)
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").



In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2022 and December 31, 2021 (for the Pender Alternative Arbitrage Plus Fund as at December 31, 2022 only), and their financial performance and their cash flows for the years/applicable periods then ended in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

### ***Basis for Opinion***

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditor’s Responsibilities for the Audit of the Financial Statements**” section of our auditor’s report.

We are independent of the Funds in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in the Annual Management Report of Fund Performance for each of the Funds filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Annual Management Report on Fund Performance for each of the Funds filed with the relevant Canadian Securities Commissions as at the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Funds' ability to continue as going concerns, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

*KPMG LLP*

Chartered Professional Accountants

Vancouver, Canada  
March 30, 2023

## Table of Contents

---

Pender Alternative Absolute Return Fund .....	<b>1</b>
Pender Alternative Arbitrage Fund .....	<b>13</b>
Pender Alternative Arbitrage Plus Fund .....	<b>25</b>
Pender Alternative Multi-Strategy Income Fund (formerly Pender Value Fund II) .....	<b>35</b>
Pender Alternative Special Situations Fund (formerly Pender Special Situations Fund) .....	<b>43</b>
Notes to Financial Statements .....	<b>51</b>

## Pender Alternative Absolute Return Fund

### Statements of Financial Position

December 31, 2022 and 2021

	2022 (\$)	2021 (\$)
<b>Assets</b>		
Cash	70,281,559	6,419,036
Receivable for investments sold	459,351	-
Subscriptions receivable	1,930,836	367,280
Dividends receivable	6,480	-
Interest receivable	2,581,622	554,327
Derivative assets	196,940	309,100
Investments	205,402,784	45,075,362
	<b>280,859,572</b>	<b>52,725,105</b>
<b>Liabilities</b>		
Management and administration fees payable (note 4)	576,713	7,353
Payable for investments purchased	12,961,779	-
Redemptions payable to holders of redeemable units	1,683,372	24,407
Payable for interest and dividends on short securities	580,969	43,721
Performance fees payable	28,700	-
Investments sold short	97,276,226	11,903,218
	<b>113,107,759</b>	<b>11,978,699</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>167,751,813</b>	<b>40,746,406</b>
<b>Net assets attributable to holders of redeemable units per class:</b>		
Class A	3,751,124	5,114
Class AF	8,865,080	2,651,026
Class A (USD)	7,071	-
Class E	166,974	-
Class F	17,889,465	5,114
Class FF	75,546,678	32,660,274
Class F (USD)	106,584	-
Class H	3,778,446	5,114
Class H (USD)	7,076	-
Class I	52,440,463	131,396
Class I (USD)	957,489	-
Class N	269,572	5,114
Class O	3,965,791	5,283,254
	<b>167,751,813</b>	<b>40,746,406</b>



# Pender Alternative Absolute Return Fund

## Statements of Financial Position

December 31, 2022 and 2021

	2022 (\$)	2021 (\$)
<b>Net assets attributable to holders of redeemable units per unit:</b>		
Class A	9.89	9.99
Class AF	10.03	9.99
Class A (USD)	13.33	-
Class E	9.92	-
Class F	9.96	9.99
Class FF	10.04	10.00
Class F (USD)	13.40	-
Class H	10.00	9.99
Class H (USD)	13.33	-
Class I	9.90	9.99
Class I (USD)	13.54	-
Class N	10.00	9.99
Class O	10.19	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

### Statements of Comprehensive Income

Year ended December 31, 2022 and for the Period from September 1, 2021 (commencement of operations) to December 31, 2021

	2022 (\$)	2021 (\$)
<b>Revenue</b>		
Interest for distribution purposes	8,703,764	405,095
Dividend income	22,152	-
Dividend and interest expense on securities sold short	(2,130,150)	(60,653)
Foreign exchange gain (loss)	2,268,533	40,163
<b>Changes in fair value of investments and derivatives:</b>		
Net realized gain (loss)	497,419	(238,458)
Net change in unrealized appreciation (depreciation)	2,469,537	235,810
<b>Total revenue</b>	<b>11,831,255</b>	<b>381,957</b>
<b>Expenses</b>		
Performance fees (note 4)	1,565,615	-
Interest and borrow fees expense	722,498	-
Administration fees (note 4)	636,187	23,296
Management fees (note 4)	456,224	11,368
Transaction costs	30,015	9,959
Independent review committee fees	4,392	818
<b>Total expenses</b>	<b>3,414,931</b>	<b>45,441</b>
Less: Fees waived and expenses absorbed by the Manager (note 4)	(32,064)	(35,482)
<b>Net expenses</b>	<b>3,382,867</b>	<b>9,959</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>8,448,388</b>	<b>371,998</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class:</b>		
Class A	124,942	114
Class AF	477,112	26,078
Class A (USD)	492	-
Class E	4,954	-
Class F	580,725	114
Class FF	4,766,830	225,813
Class F (USD)	2,125	-
Class H	66,956	114
Class H (USD)	497	-
Class I	1,862,513	1,397
Class I (USD)	2,329	-
Class N	14,459	114
Class O	544,454	118,254
	<b>8,448,388</b>	<b>371,998</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>		
Class A	0.75	0.22
Class AF	0.57	0.19
Class A (USD)	0.97	-
Class E	0.49	-
Class F	0.77	0.22
Class FF	0.66	0.20
Class F (USD)	0.59	-
Class H	0.48	0.22
Class H (USD)	0.98	-
Class I	0.87	0.16
Class I (USD)	0.22	-
Class N	0.72	0.22
Class O	0.85	0.22

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

## Pender Alternative Absolute Return Fund

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Year ended December 31, 2022 and for the Period from September 1, 2021 (commencement of operations) to December 31, 2021

Class A	2022 (\$)	2021 (\$)
Balance, beginning of year/period	5,114	-
Increase (decrease) in net assets attributable to holders of redeemable units	124,942	114
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	4,867,065	5,000
Issued on reinvestment of distributions	72,754	119
Amounts paid on redemption of redeemable units	(1,178,045)	-
	<b>3,761,774</b>	<b>5,119</b>
<b>Distributions paid from:</b>		
Net investment income	(68,411)	(119)
Realized gains on sale of investments	(72,295)	-
Return of capital	-	-
	<b>(140,706)</b>	<b>(119)</b>
<b>Balance, end of year/period</b>	<b>3,751,124</b>	<b>5,114</b>
Class AF	2022 (\$)	2021 (\$)
Balance, beginning of year/period	2,651,026	-
Increase (decrease) in net assets attributable to holders of redeemable units	477,112	26,078
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	6,458,653	2,630,749
Issued on reinvestment of distributions	280,704	28,182
Amounts paid on redemption of redeemable units	(494,356)	-
	<b>6,245,001</b>	<b>2,658,931</b>
<b>Distributions paid from:</b>		
Net investment income	(386,988)	(33,983)
Realized gains on sale of investments	(121,071)	-
Return of capital	-	-
	<b>(508,059)</b>	<b>(33,983)</b>
<b>Balance, end of year/period</b>	<b>8,865,080</b>	<b>2,651,026</b>
Class A (USD)	2022 (\$)	2021 (\$)
Balance, beginning of period	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	492	-
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	6,579	-
Issued on reinvestment of distributions	411	-
Amounts paid on redemption of redeemable units	-	-
	<b>6,990</b>	<b>-</b>
<b>Distributions paid from:</b>		
Net investment income	(117)	-
Realized gains on sale of investments	(294)	-
Return of capital	-	-
	<b>(411)</b>	<b>-</b>
<b>Balance, end of period</b>	<b>7,071</b>	<b>-</b>

## Pender Alternative Absolute Return Fund

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Year ended December 31, 2022 and for the Period from September 1, 2021 (commencement of operations) to December 31, 2021

	2022 (\$)	2021 (\$)
Class E		
Balance, beginning of period	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	4,954	-
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	167,404	-
Issued on reinvestment of distributions	8,005	-
Amounts paid on redemption of redeemable units	(5,384)	-
	<b>170,025</b>	-
<b>Distributions paid from:</b>		
Net investment income	(2,498)	-
Realized gains on sale of investments	(5,507)	-
Return of capital	-	-
	<b>(8,005)</b>	-
<b>Balance, end of period</b>	<b>166,974</b>	-
Class F		
Balance, beginning of year/period	5,114	-
Increase (decrease) in net assets attributable to holders of redeemable units	580,725	114
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	28,666,091	5,000
Issued on reinvestment of distributions	278,575	119
Amounts paid on redemption of redeemable units	(11,052,734)	-
	<b>17,891,932</b>	<b>5,119</b>
<b>Distributions paid from:</b>		
Net investment income	(365,674)	(119)
Realized gains on sale of investments	(222,632)	-
Return of capital	-	-
	<b>(588,306)</b>	<b>(119)</b>
<b>Balance, end of year/period</b>	<b>17,889,465</b>	<b>5,114</b>
Class FF		
Balance, beginning of year/period	32,660,274	-
Increase (decrease) in net assets attributable to holders of redeemable units	4,766,830	225,813
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	48,767,755	32,628,558
Issued on reinvestment of distributions	3,662,654	152,381
Amounts paid on redemption of redeemable units	(9,402,386)	(132,837)
	<b>43,028,023</b>	<b>32,648,102</b>
<b>Distributions paid from:</b>		
Net investment income	(3,889,859)	(213,641)
Realized gains on sale of investments	(1,018,590)	-
Return of capital	-	-
	<b>(4,908,449)</b>	<b>(213,641)</b>
<b>Balance, end of year/period</b>	<b>75,546,678</b>	<b>32,660,274</b>

## Pender Alternative Absolute Return Fund

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Year ended December 31, 2022 and for the Period from September 1, 2021 (commencement of operations) to December 31, 2021

Class F (USD)	2022 (\$)	2021 (\$)
Balance, beginning of period	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	2,125	-
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	104,459	-
Issued on reinvestment of distributions	4,786	-
Amounts paid on redemption of redeemable units	-	-
	<b>109,245</b>	-
<b>Distributions paid from:</b>		
Net investment income	(996)	-
Realized gains on sale of investments	(3,790)	-
Return of capital	-	-
	<b>(4,786)</b>	-
<b>Balance, end of period</b>	<b>106,584</b>	-
Class H	2022 (\$)	2021 (\$)
Balance, beginning of year/period	5,114	-
Increase (decrease) in net assets attributable to holders of redeemable units	66,956	114
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	4,692,666	5,000
Issued on reinvestment of distributions	62,663	119
Amounts paid on redemption of redeemable units	(962,181)	-
	<b>3,793,148</b>	<b>5,119</b>
<b>Distributions paid from:</b>		
Net investment income	(57,011)	(119)
Realized gains on sale of investments	(29,761)	-
Return of capital	-	-
	<b>(86,772)</b>	<b>(119)</b>
<b>Balance, end of year/period</b>	<b>3,778,446</b>	<b>5,114</b>
Class H (USD)	2022 (\$)	2021 (\$)
Balance, beginning of period	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	497	-
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	6,579	-
Issued on reinvestment of distributions	417	-
Amounts paid on redemption of redeemable units	-	-
	<b>6,996</b>	-
<b>Distributions paid from:</b>		
Net investment income	(122)	-
Realized gains on sale of investments	(295)	-
Return of capital	-	-
	<b>(417)</b>	-
<b>Balance, end of period</b>	<b>7,076</b>	-

## Pender Alternative Absolute Return Fund

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Year ended December 31, 2022 and for the Period from September 1, 2021 (commencement of operations) to December 31, 2021

Class I	2022 (\$)	2021 (\$)
Balance, beginning of year/period	131,396	-
Increase (decrease) in net assets attributable to holders of redeemable units	1,862,513	1,397
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	57,985,425	129,999
Issued on reinvestment of distributions	1,383,590	1,631
Amounts paid on redemption of redeemable units	(6,787,336)	-
	<b>52,581,679</b>	<b>131,630</b>
<b>Distributions paid from:</b>		
Net investment income	(1,070,404)	(1,631)
Realized gains on sale of investments	(1,064,721)	-
Return of capital	-	-
	<b>(2,135,125)</b>	<b>(1,631)</b>
<b>Balance, end of year/period</b>	<b>52,440,463</b>	<b>131,396</b>

Class I (USD)	2022 (\$)	2021 (\$)
Balance, beginning of period	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	2,329	-
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	1,308,717	-
Issued on reinvestment of distributions	370	-
Amounts paid on redemption of redeemable units	(350,725)	-
	<b>958,362</b>	<b>-</b>
<b>Distributions paid from:</b>		
Net investment income	(1,268)	-
Realized gains on sale of investments	(1,934)	-
Return of capital	-	-
	<b>(3,202)</b>	<b>-</b>
<b>Balance, end of period</b>	<b>957,489</b>	<b>-</b>

Class N	2022 (\$)	2021 (\$)
Balance, beginning of year/period	5,114	-
Increase (decrease) in net assets attributable to holders of redeemable units	14,459	114
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	249,999	5,000
Issued on reinvestment of distributions	15,655	119
Amounts paid on redemption of redeemable units	-	-
	<b>265,654</b>	<b>5,119</b>
<b>Distributions paid from:</b>		
Net investment income	(11,582)	(119)
Realized gains on sale of investments	(4,073)	-
Return of capital	-	-
	<b>(15,655)</b>	<b>(119)</b>
<b>Balance, end of year/period</b>	<b>269,572</b>	<b>5,114</b>

## Pender Alternative Absolute Return Fund

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Year ended December 31, 2022 and for the Period from September 1, 2021 (commencement of operations) to December 31, 2021

Class O	2022 (\$)	2021 (\$)
Balance, beginning of year/period	5,283,254	-
Increase (decrease) in net assets attributable to holders of redeemable units	544,454	118,254
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	3,701,005	5,165,000
Issued on reinvestment of distributions	421,603	122,794
Amounts paid on redemption of redeemable units	(5,562,922)	-
	<b>(1,440,314)</b>	<b>5,287,794</b>
<b>Distributions paid from:</b>		
Net investment income	(421,603)	(122,794)
Realized gains on sale of investments	-	-
Return of capital	-	-
	<b>(421,603)</b>	<b>(122,794)</b>
<b>Balance, end of year/period</b>	<b>3,965,791</b>	<b>5,283,254</b>
Total Fund	(\$)	2021 (\$)
Balance, beginning of year/period	40,746,406	-
Increase (decrease) in net assets attributable to holders of redeemable units	8,448,388	371,998
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	156,982,397	40,574,306
Issued on reinvestment of distributions	6,192,187	305,464
Amounts paid on redemption of redeemable units	(35,796,069)	(132,837)
	<b>127,378,515</b>	<b>40,746,933</b>
<b>Distributions paid from:</b>		
Net investment income	(6,276,533)	(372,525)
Realized gains on sale of investments	(2,544,963)	-
Return of capital	-	-
	<b>(8,821,496)</b>	<b>(372,525)</b>
<b>Balance, end of year/period</b>	<b>167,751,813</b>	<b>40,746,406</b>

## Pender Alternative Absolute Return Fund

### Statements of Cash Flows

Year ended December 31, 2022 and for the Period from September 1, 2021 (commencement of operations) to December 31, 2021

	2022 (\$)	2021 (\$)
<b>Cash provided by (used in):</b>		
<b>Operating:</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	8,448,388	371,998
<b>Adjustments for:</b>		
Interest for distribution purposes	(8,703,764)	(405,095)
Dividend Income	(22,152)	-
Dividend and interest expense on securities sold short	2,130,150	60,653
Foreign exchange (gain) loss	(2,268,533)	(40,163)
Net realized (gain) loss on sale of investments	(5,907,523)	(112,554)
Net change in unrealized (appreciation) depreciation of investments	(2,581,697)	73,290
Derivative assets and liabilities	112,160	(309,100)
Payable for interest and dividends on short securities	-	43,721
Interest bought on purchase of investments	-	(284,540)
Performance fees payable	28,700	-
Management and administration fees payable	569,360	7,353
	<b>(8,194,911)</b>	<b>(594,437)</b>
Proceeds on disposal of investments	648,033,778	42,958,279
Amounts paid on purchase of investments	(701,996,544)	(76,091,159)
Dividend and interest expense paid on securities sold short	(1,592,902)	(60,653)
Dividends received	15,672	-
Interest received	6,676,469	135,308
	<b>(57,058,438)</b>	<b>(33,652,662)</b>
<b>Financing:</b>		
Proceeds from issue of redeemable units	153,027,156	40,207,026
Amounts paid on redemption of redeemable units	(31,745,419)	(108,430)
Distributions paid to unitholders	(2,629,309)	(67,061)
	<b>118,652,428</b>	<b>40,031,535</b>
Net increase (decrease) in cash	61,593,990	6,378,873
Cash, beginning of year/period	6,419,036	-
Effect of exchange rate fluctuations on cash	2,268,533	40,163
<b>Cash, end of year/period</b>	<b>70,281,559</b>	<b>6,419,036</b>



## Pender Alternative Absolute Return Fund

### Schedule of Investment Portfolio

December 31, 2022

	Issue currency	Number of shares / Face value (\$)	Cost (\$)	Fair value (\$)
<b>LONG POSITIONS</b>				
<b>Corporate bonds and loans:</b>				
<b>Canada (53.5%):</b>				
AutoCanada Inc., Callable, 5.75%, 2029/02/07	CAD	4,361,000	4,233,925	3,828,595
The Bank of Nova Scotia, Callable, 8.63%, 2082/10/27	USD	3,000,000	4,125,211	4,236,159
Capital Power Corporation, Callable, Variable rate, 2082/09/09	CAD	1,000,000	1,000,000	987,093
Crew Energy Inc., Callable, 6.5%, 2024/03/14	CAD	1,684,000	1,679,790	1,681,193
Enbridge Inc., Callable, 7.63%, 2083/01/15	USD	2,000,000	2,659,876	2,702,791
Ford Motor Credit Company LLC, 6.78%, 2025/09/15	CAD	2,250,000	2,251,205	2,241,563
Ford Credit Canada Co., Callable, 2.96%, 2026/09/16	CAD	4,000,000	3,450,000	3,513,750
Keyera Corp., Floating Rate, Callable, 6.88%, 2079/06/13	CAD	2,000,000	1,917,500	1,894,410
Mattamy Group Corporation, 4.63%, 2028/03/01	CAD	4,588,000	3,878,784	3,890,242
Parkland Corporation, Callable, 4.38%, 2029/03/26	CAD	1,000,000	843,750	863,500
Parkland Corporation, Callable, 4.50%, 2029/10/01	USD	500,000	567,071	567,350
Rogers Communications Inc., Restricted, Callable, 3.75%, 2029/04/15	CAD	10,000,000	9,274,269	9,247,408
SECURE Energy Services Inc., 7.25%, 2026/12/30	CAD	3,250,000	3,307,813	3,197,188
Shawcor Ltd., Restricted, Callable, 9.00%, 2026/12/10	CAD	500,000	500,000	518,281
SNC-Lavalin Group Inc., Series '4', Callable, 3.24%, 2023/03/02	CAD	4,369,000	4,337,543	4,352,025
Tamarack Valley Energy Ltd., Callable, 7.25%, 2027/05/10	CAD	9,000,000	8,744,000	8,430,615
Teine Energy Ltd., Callable, 6.88%, 2029/04/15	USD	6,325,000	7,870,740	7,671,170
The Toronto-Dominion Bank, Variable Rate, Callable, 8.13%, 2082/10/31	USD	2,500,000	3,446,515	3,528,863
The Toronto-Dominion Bank, Variable Rate, Callable, 7.28%, 2082/10/31	CAD	5,000,000	4,891,250	4,935,050
TransAlta Corporation, Callable, 7.75%, 2029/11/15	USD	500,000	665,475	692,464
TransAlta Corporation, 6.50%, 2040/03/15	USD	1,000,000	1,177,891	1,255,889
Vermilion Energy Inc., Callable, 6.88%, 2030/05/01	USD	6,000,000	7,392,897	7,484,235
Videotron Ltd., Callable, 5.75%, 2026/01/15	CAD	6,500,000	6,626,287	6,385,572
Videotron Ltd., Callable, 3.63%, 2028/06/15	CAD	1,773,000	1,509,774	1,529,028
Videotron Ltd., Callable, 4.50%, 2030/01/15	CAD	3,000,000	2,527,500	2,616,875
Videotron Ltd., Callable, 3.13%, 2031/01/15	CAD	2,000,000	1,505,000	1,539,000
			<b>90,384,066</b>	<b>89,790,309</b>
<b>United States (67.0%):</b>				
Austin Fairmont Hotel Trust, Series 2019-FAIR, Class 'D', Floating Rate, Callable, 6.12%, 2032/09/15	USD	3,000,000	3,960,860	3,904,693
Bath & Body Works Inc., Callable, 7.50%, 2029/06/15	USD	1,450,000	1,908,668	1,941,704
CCM Merger Inc., Callable, 6.38%, 2026/05/01	USD	1,015,000	1,331,796	1,296,813
CCO Holdings, LLC, Callable, 6.38%, 2029/09/01	USD	2,000,000	2,575,115	2,550,029
CCO Holdings, LLC, Callable, 4.50%, 2032/05/01	USD	2,500,000	2,657,618	2,703,176
CDI Escrow Issuer Inc., Callable, 5.75%, 2030/04/01	USD	2,000,000	2,440,952	2,432,283
Enviva Partners Finance Corp., Callable, 6.50%, 2026/01/15	USD	3,500,000	4,526,225	4,470,868
Hilton Domestic Operating Company Inc., 4.88%, 2030/01/15	USD	1,500,000	1,846,980	1,843,925
Hilton Domestic Operating Company Inc., 4.00%, 2031/05/01	USD	1,000,000	1,127,372	1,135,586
Hilton Domestic Operating Company Inc., 3.63%, 2032/02/15	USD	1,000,000	1,085,258	1,086,693
Host Hotels & Resorts L.P., Series 'I', Callable, 3.50%, 2030/09/15	USD	1,849,000	1,993,170	2,077,839

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

## Pender Alternative Absolute Return Fund

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

December 31, 2022

	Issue currency	Number of shares / Face value (\$)	Cost (\$)	Fair value (\$)
<b>United States (67.0%): (cont'd)</b>				
Hyatt Hotels Corp., Callable, 5.75%, 2030/04/23	USD	1,562,000	2,008,709	2,079,132
Intercontinental Exchange Inc., Callable, 5.20%, 2062/06/15	USD	1,000,000	1,284,838	1,284,838
Kohl's Corporation, Callable, 3.38%, 2031/05/01	USD	3,000,000	2,970,436	2,849,006
Legends Hospitality Co-Issuer, Inc., 5.00%, 2026/02/01	USD	3,680,000	4,597,101	4,440,849
Life Time Inc., 5.75%, 2026/01/15	USD	1,500,000	1,931,836	1,892,385
Live Nation Entertainment, Inc., Callable, 6.50%, 2027/05/15	USD	3,000,000	3,961,035	3,986,004
Live Nation Entertainment, Inc., Callable, 3.75%, 2028/01/15	USD	816,000	953,707	944,192
Macy's Retail Holdings LLC, Callable, 6.13%, 2032/03/15	USD	4,250,000	5,064,567	4,845,289
Maxar Technologies Inc., Callable, 7.75%, 2027/06/15	USD	3,000,000	4,268,773	4,221,891
Millennium Operations LLC, 6.50%, 2028/10/01	USD	1,500,000	1,937,279	1,967,572
Neptune BidCo US Inc., Callable, 9.29%, 2029/04/15	USD	2,600,000	3,258,411	3,324,859
Park Intermediate Holdings LLC, 4.88%, 2029/05/15	USD	18,000	21,433	20,663
Penske Automotive Group Inc., Callable, 3.75%, 2029/06/15	USD	5,527,000	6,055,299	6,083,711
PepsiCo, Inc., 2.75%, 2023/03/01	USD	2,487,000	3,203,343	3,359,393
SeaWorld Parks & Entertainment Inc., Callable, 8.75%, 2025/05/01	USD	888,000	1,172,215	1,238,994
SeaWorld Parks & Entertainment Inc., Callable, 5.25%, 2029/08/15	USD	3,605,000	4,207,433	4,252,618
Starbucks Corporation, Callable, 3.10%, 2023/03/01	USD	2,975,000	3,838,608	4,016,632
Thor Industries Inc., 4.00%, 2029/10/15	USD	3,265,000	3,476,128	3,477,380
TransDigm Inc., 7.57%, 2027/02/22	USD	750,000	989,751	1,013,281
Valvoline Inc., Callable, 4.25%, 2030/02/15	USD	6,730,000	8,692,321	8,856,474
W&T Offshore, Inc., Callable, 9.75%, 2023/11/01	USD	2,000,000	2,547,776	2,669,655
Winnebago Industries, Inc., 6.25%, 2028/07/15	USD	2,000,000	2,535,641	2,535,606
XHR LP, Callable, 6.38%, 2025/08/15	USD	2,555,000	3,331,069	3,331,617
XHR LP, Callable, 4.88%, 2029/06/01	USD	11,499,000	13,161,599	12,773,746
XPO Escrow Sub, LLC, Callable, 7.5%, 2027/11/15	USD	1,000,000	1,367,556	1,371,900
			<b>112,290,878</b>	<b>112,281,296</b>
<b>Total corporate bonds and loans (120.5%)</b>			<b>202,674,944</b>	<b>202,071,605</b>
<b>Equities (2.0%):</b>				
Black Knight, Inc.	USD	3,000	222,132	250,829
Keyera Corp.	CAD	25,000	707,500	739,750
Shaw Communications Inc., Class 'B'	CAD	60,000	2,091,400	2,340,600
			<b>3,021,032</b>	<b>3,331,179</b>
<b>Total long positions (122.5%)</b>			<b>205,695,976</b>	<b>205,402,784</b>
<b>SHORT POSITIONS</b>				
<b>Corporate bonds and loans:</b>				
<b>Canada (-4.7%):</b>				
1011778 B.C. Unlimited Liability Company, Callable, 3.88%, 2028/01/15	USD	(5,500,000)	(6,529,091)	(6,748,583)
1011778 B.C. Unlimited Liability Company, Callable, 4.00%, 2030/10/15	USD	(1,000,000)	(1,104,977)	(1,099,847)
			<b>(7,634,068)</b>	<b>(7,848,430)</b>
<b>United States (-10.5%):</b>				
Asbury Automotive Group Inc., Callable, 4.75%, 2030/03/01	USD	(2,000,000)	(2,484,504)	(2,268,482)
Ford Motor Credit Co. LLC, Callable, 2.70%, 2026/08/10	USD	(2,000,000)	(2,360,728)	(2,355,229)
Hilton Domestic Operating Co. Inc., Callable, 5.75%, 2028/05/01	USD	(1,000,000)	(1,321,905)	(1,315,770)
Park Intermediate Holdings LLC, Callable, 4.88%, 2029/05/15	USD	(2,000,000)	(2,307,920)	(2,295,842)

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

## Pender Alternative Absolute Return Fund

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

December 31, 2022

	Issue currency	Number of shares / Face value (\$)	Cost (\$)	Fair value (\$)
<b>United States (-10.5%): (cont'd)</b>				
RHP Finance Corporation, Callable, 4.50%, 2029/02/15	USD	(2,000,000)	(2,379,603)	(2,339,356)
Yum! Brands, Inc., Callable, 3.63%, 2031/03/15	USD	(6,157,000)	(6,931,075)	(7,007,811)
			<b>(17,785,735)</b>	<b>(17,582,490)</b>
<b>Total corporate bonds and loans (-15.2%)</b>				
			<b>(25,419,803)</b>	<b>(25,430,920)</b>
<b>Government Bonds (-18.4%):</b>				
Government of Canada, 2.25%, 2029/06/01	CAD	(2,700,000)	(2,525,337)	(2,542,394)
Government of Canada, 2.00%, 2032/06/01	CAD	(2,700,000)	(2,421,200)	(2,418,234)
United States Treasury Bond, 1.25%, 2031/08/15	USD	(2,600,000)	(3,179,290)	(2,859,445)
United States Treasury Bond, 1.38%, 2031/11/15	USD	(6,000,000)	(7,303,384)	(6,617,884)
United States Treasury Bond, 1.88%, 2032/02/15	USD	(3,000,000)	(3,560,190)	(3,445,717)
United States Treasury Bond, 2.88%, 2032/05/15	USD	(6,000,000)	(7,715,818)	(7,514,700)
United States Treasury Bond, 4.13%, 2032/11/15	USD	(4,000,000)	(5,632,887)	(5,548,015)
			<b>(32,338,106)</b>	<b>(30,946,389)</b>
<b>Exchange-Traded Fund(s) (-23.0%):</b>				
iShares iBoxx High Yield Corporate Bond ETF	USD	(110,000)	(11,100,200)	(10,966,452)
iShares Russell 2000 ETF	USD	(31,000)	(7,721,585)	(7,318,587)
SPDR Bloomberg Barclays High Yield Bond ETF	USD	(95,000)	(11,870,347)	(11,576,700)
SPDR S&P 500 ETF Trust	USD	(17,000)	(9,209,051)	(8,802,774)
			<b>(39,901,183)</b>	<b>(38,664,513)</b>
<b>Equities (-1.3%):</b>				
Enviva Inc.	USD	(20,000)	(1,482,892)	(1,434,428)
Life Time Group Holdings, Inc.	USD	(49,400)	(924,322)	(799,976)
			<b>(2,407,214)</b>	<b>(2,234,404)</b>
<b>Total short positions (-57.9%)</b>				
			<b>(100,066,306)</b>	<b>(97,276,226)</b>
Less: Transaction costs included in cost of investments			(11,519)	
<b>Total investments (64.6%)</b>				
			<b>105,618,151</b>	<b>108,126,558</b>
	Contract rate	Pay	Receive	Unrealized gain (loss)
<b>Derivative assets:</b>				
The Bank of Nova Scotia, Foreign Currency Forward, settlement 2023/03/07	1.36	USD 70,135,020	CAD 95,116,287	196,940
<b>Total derivative assets (0.1%):</b>				
				<b>196,940</b>
Cash (41.9%)				70,281,559
Other assets less liabilities (-6.6%)				(10,853,244)
<b>Total net assets attributable to holders of redeemable units (100.0%)</b>				
				<b>167,751,813</b>

## Pender Alternative Arbitrage Fund

### Statements of Financial Position

December 31, 2022 and 2021

	2022 (\$)	2021 (\$)
<b>Assets</b>		
Cash	5,294,479	4,267,664
Receivable for investments sold	38,389	-
Subscriptions receivable	-	125,000
Dividends receivable	2,946	258
Other receivable	5,812	-
Derivative assets	40,949	71,774
Investments	22,774,995	9,273,907
	<b>28,157,570</b>	<b>13,738,603</b>
<b>Liabilities</b>		
Management and administration fees payable (note 4)	23,381	-
Payable for investments purchased	2,059	125,705
Redemptions payable to holders of redeemable units	1,303	-
Payable for interest and dividends on short securities	1,584	-
Interest and borrow fees payable	-	439
Performance fees payable	22,222	-
Investments sold short	1,255,169	1,727,107
	<b>1,305,718</b>	<b>1,853,251</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>26,851,852</b>	<b>11,885,352</b>
<b>Net assets attributable to holders of redeemable units per class:</b>		
Class A	91,098	5,103
Class AF	2,550,845	1,781,906
Class A (USD)	6,846	-
Class E	83,513	-
Class F	2,579,143	5,103
Class FF	15,012,027	9,909,525
Class F (USD)	6,836	-
Class H	165,591	5,103
Class H (USD)	6,850	-
Class I	1,236,923	5,103
Class I (USD)	6,869	-
Class N	5,312	5,103
Class O	5,099,999	168,406
	<b>26,851,852</b>	<b>11,885,352</b>

# Pender Alternative Arbitrage Fund

## Statements of Financial Position

December 31, 2022 and 2021

	2022 (\$)	2021 (\$)
<b>Net assets attributable to holders of redeemable units per unit:</b>		
Class A	10.14	10.19
Class AF	10.48	10.19
Class A (USD)	13.19	-
Class E	9.72	-
Class F	10.35	10.19
Class FF	10.56	10.19
Class F (USD)	13.49	-
Class H	10.33	10.19
Class H (USD)	13.19	-
Class I	10.32	10.19
Class I (USD)	13.19	-
Class N	10.49	10.19
Class O	10.56	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

### Statements of Comprehensive Income

Year ended December 31, 2022 and for the Period from September 8, 2021 (commencement of operations) to December 31, 2021

	2022 (\$)	2021 (\$)
<b>Revenue</b>		
Interest for distribution purposes	28,616	-
Dividend income	463,777	15,466
Dividend and interest expense on securities sold short	(55,542)	(12,364)
Foreign exchange gain (loss)	387,598	(103,878)
<b>Changes in fair value of investments and derivatives:</b>		
Net realized gain (loss)	208,168	46,863
Net change in unrealized appreciation (depreciation)	478,509	200,570
<b>Total revenue</b>	<b>1,511,126</b>	<b>146,657</b>
<b>Expenses</b>		
Performance fees (note 4)	173,607	42,580
Administration fees (note 4)	110,049	10,699
Management fees (note 4)	63,952	7,837
Withholding taxes (note 6)	60,561	915
Transaction costs	59,909	12,741
Interest and borrow fees expense	56,443	1,141
Independent review committee fees	703	238
<b>Total expenses</b>	<b>525,224</b>	<b>76,151</b>
Less: Fees waived and expenses absorbed by the Manager (note 4)	(65,653)	(61,354)
<b>Net expenses</b>	<b>459,571</b>	<b>14,797</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>1,051,555</b>	<b>131,860</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class:</b>		
Class A	2,625	103
Class AF	84,560	31,886
Class A (USD)	267	-
Class E	1,738	-
Class F	36,315	579
Class FF	637,271	95,577
Class F (USD)	416	-
Class H	2,429	103
Class H (USD)	271	-
Class I	28,575	103
Class I (USD)	290	-
Class N	209	103
Class O	256,589	3,406
	<b>1,051,555</b>	<b>131,860</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>		
Class A	0.49	0.21
Class AF	0.36	0.21
Class A (USD)	0.53	-
Class E	0.27	-
Class F	0.38	0.14
Class FF	0.44	0.22
Class F (USD)	0.52	-
Class H	0.43	0.21
Class H (USD)	0.54	-
Class I	0.52	0.21
Class I (USD)	0.57	-
Class N	0.42	0.21
Class O	0.76	0.21

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

## Pender Alternative Arbitrage Fund

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Year ended December 31, 2022 and for the Period from September 8, 2021 (commencement of operations) to December 31, 2021

	2022 (\$)	2021 (\$)
<b>Class A</b>		
Balance, beginning of year/period	5,103	-
Increase (decrease) in net assets attributable to holders of redeemable units	2,625	103
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	196,629	5,000
Issued on reinvestment of distributions	2,868	9
Amounts paid on redemption of redeemable units	(113,259)	-
	<b>86,238</b>	<b>5,009</b>
<b>Distributions paid from:</b>		
Net investment income	-	(9)
Realized gains on sale of investments	(2,868)	-
Return of capital	-	-
	<b>(2,868)</b>	<b>(9)</b>
<b>Balance, end of year/period</b>	<b>91,098</b>	<b>5,103</b>
<b>Class AF</b>		
Balance, beginning of year/period	1,781,906	-
Increase (decrease) in net assets attributable to holders of redeemable units	84,560	31,886
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	701,235	1,770,400
Issued on reinvestment of distributions	10,715	2,697
Amounts paid on redemption of redeemable units	(15,595)	(20,078)
	<b>696,355</b>	<b>1,753,019</b>
<b>Distributions paid from:</b>		
Net investment income	-	(2,999)
Realized gains on sale of investments	(11,976)	-
Return of capital	-	-
	<b>(11,976)</b>	<b>(2,999)</b>
<b>Balance, end of year/period</b>	<b>2,550,845</b>	<b>1,781,906</b>
<b>Class A (USD)</b>		
Balance, beginning of period	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	267	-
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	6,579	-
Issued on reinvestment of distributions	250	-
Amounts paid on redemption of redeemable units	-	-
	<b>6,829</b>	<b>-</b>
<b>Distributions paid from:</b>		
Net investment income	(70)	-
Realized gains on sale of investments	(180)	-
Return of capital	-	-
	<b>(250)</b>	<b>-</b>
<b>Balance, end of period</b>	<b>6,846</b>	<b>-</b>

## Pender Alternative Arbitrage Fund

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Year ended December 31, 2022 and for the Period from September 8, 2021 (commencement of operations) to December 31, 2021

	2022 (\$)	2021 (\$)
Class E		
Balance, beginning of period	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	1,738	-
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	101,417	-
Issued on reinvestment of distributions	3,560	-
Amounts paid on redemption of redeemable units	(19,642)	-
	<b>85,335</b>	-
<b>Distributions paid from:</b>		
Net investment income	(1,266)	-
Realized gains on sale of investments	(2,294)	-
Return of capital	-	-
	<b>(3,560)</b>	-
<b>Balance, end of period</b>	<b>83,513</b>	-
Class F		
Balance, beginning of year/period	5,103	-
Increase (decrease) in net assets attributable to holders of redeemable units	36,315	579
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	3,148,522	85,000
Issued on reinvestment of distributions	34,011	9
Amounts paid on redemption of redeemable units	(607,174)	(80,476)
	<b>2,575,359</b>	<b>4,533</b>
<b>Distributions paid from:</b>		
Net investment income	(22,051)	(9)
Realized gains on sale of investments	(15,583)	-
Return of capital	-	-
	<b>(37,634)</b>	<b>(9)</b>
<b>Balance, end of year/period</b>	<b>2,579,143</b>	<b>5,103</b>
Class FF		
Balance, beginning of year/period	9,909,525	-
Increase (decrease) in net assets attributable to holders of redeemable units	637,271	95,577
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	7,217,950	9,814,906
Issued on reinvestment of distributions	60,292	12,434
Amounts paid on redemption of redeemable units	(2,749,583)	-
	<b>4,528,659</b>	<b>9,827,340</b>
<b>Distributions paid from:</b>		
Net investment income	(63,428)	(13,392)
Realized gains on sale of investments	-	-
Return of capital	-	-
	<b>(63,428)</b>	<b>(13,392)</b>
<b>Balance, end of year/period</b>	<b>15,012,027</b>	<b>9,909,525</b>



## Pender Alternative Arbitrage Fund

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Year ended December 31, 2022 and for the Period from September 8, 2021 (commencement of operations) to December 31, 2021

Class F (USD)	2022 (\$)	2021 (\$)
Balance, beginning of period	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	416	-
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	13,202	-
Issued on reinvestment of distributions	115	-
Amounts paid on redemption of redeemable units	(6,782)	-
	<b>6,535</b>	-
<b>Distributions paid from:</b>		
Net investment income	(57)	-
Realized gains on sale of investments	(58)	-
Return of capital	-	-
	<b>(115)</b>	-
<b>Balance, end of period</b>	<b>6,836</b>	-
Class H	2022 (\$)	2021 (\$)
Balance, beginning of year/period	5,103	-
Increase (decrease) in net assets attributable to holders of redeemable units	2,429	103
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	158,059	5,000
Issued on reinvestment of distributions	2,735	9
Amounts paid on redemption of redeemable units	-	-
	<b>160,794</b>	<b>5,009</b>
<b>Distributions paid from:</b>		
Net investment income	(1,224)	(9)
Realized gains on sale of investments	(1,511)	-
Return of capital	-	-
	<b>(2,735)</b>	<b>(9)</b>
<b>Balance, end of year/period</b>	<b>165,591</b>	<b>5,103</b>
Class H (USD)	2022 (\$)	2021 (\$)
Balance, beginning of period	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	271	-
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	6,579	-
Issued on reinvestment of distributions	255	-
Amounts paid on redemption of redeemable units	-	-
	<b>6,834</b>	-
<b>Distributions paid from:</b>		
Net investment income	(75)	-
Realized gains on sale of investments	(180)	-
Return of capital	-	-
	<b>(255)</b>	-
<b>Balance, end of period</b>	<b>6,850</b>	-

## Pender Alternative Arbitrage Fund

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Year ended December 31, 2022 and for the Period from September 8, 2021 (commencement of operations) to December 31, 2021

Class I	2022 (\$)	2021 (\$)
Balance, beginning of year/period	5,103	-
Increase (decrease) in net assets attributable to holders of redeemable units	28,575	103
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	1,210,235	5,000
Issued on reinvestment of distributions	25,959	9
Amounts paid on redemption of redeemable units	(6,224)	-
	<b>1,229,970</b>	<b>5,009</b>
<b>Distributions paid from:</b>		
Net investment income	(9,587)	(9)
Realized gains on sale of investments	(17,138)	-
Return of capital	-	-
	<b>(26,725)</b>	<b>(9)</b>
<b>Balance, end of year/period</b>	<b>1,236,923</b>	<b>5,103</b>
Class I (USD)	2022 (\$)	2021 (\$)
Balance, beginning of period	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	290	-
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	6,579	-
Issued on reinvestment of distributions	271	-
Amounts paid on redemption of redeemable units	-	-
	<b>6,850</b>	<b>-</b>
<b>Distributions paid from:</b>		
Net investment income	(90)	-
Realized gains on sale of investments	(181)	-
Return of capital	-	-
	<b>(271)</b>	<b>-</b>
<b>Balance, end of period</b>	<b>6,869</b>	<b>-</b>
Class N	2022 (\$)	2021 (\$)
Balance, beginning of year/period	5,103	-
Increase (decrease) in net assets attributable to holders of redeemable units	209	103
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	-	5,000
Issued on reinvestment of distributions	54	9
Amounts paid on redemption of redeemable units	-	-
	<b>54</b>	<b>5,009</b>
<b>Distributions paid from:</b>		
Net investment income	(27)	(9)
Realized gains on sale of investments	(27)	-
Return of capital	-	-
	<b>(54)</b>	<b>(9)</b>
<b>Balance, end of year/period</b>	<b>5,312</b>	<b>5,103</b>

## Pender Alternative Arbitrage Fund

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Year ended December 31, 2022 and for the Period from September 8, 2021 (commencement of operations) to December 31, 2021

Class O	2022 (\$)	2021 (\$)
Balance, beginning of year/period	168,406	-
Increase (decrease) in net assets attributable to holders of redeemable units	256,589	3,406
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	5,510,236	165,000
Issued on reinvestment of distributions	81,442	283
Amounts paid on redemption of redeemable units	(835,232)	-
	<b>4,756,446</b>	<b>165,283</b>
<b>Distributions paid from:</b>		
Net investment income	(81,442)	(283)
Realized gains on sale of investments	-	-
Return of capital	-	-
	<b>(81,442)</b>	<b>(283)</b>
<b>Balance, end of year/period</b>	<b>5,099,999</b>	<b>168,406</b>
Total Fund	2022 (\$)	2021 (\$)
Balance, beginning of year/period	11,885,352	-
Increase (decrease) in net assets attributable to holders of redeemable units	1,051,555	131,860
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	18,277,222	11,855,306
Issued on reinvestment of distributions	222,527	15,459
Amounts paid on redemption of redeemable units	(4,353,491)	(100,554)
	<b>14,146,258</b>	<b>11,770,211</b>
<b>Distributions paid from:</b>		
Net investment income	(179,317)	(16,719)
Realized gains on sale of investments	(51,996)	-
Return of capital	-	-
	<b>(231,313)</b>	<b>(16,719)</b>
<b>Balance, end of year/period</b>	<b>26,851,852</b>	<b>11,885,352</b>

## Pender Alternative Arbitrage Fund

### Statements of Cash Flows

Year ended December 31, 2022 and for the Period from September 8, 2021 (commencement of operations) to December 31, 2021

	2022 (\$)	2021 (\$)
<b>Cash provided by (used in):</b>		
<b>Operating:</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	1,051,555	131,860
<b>Adjustments for:</b>		
Interest for distribution purposes	(28,616)	-
Dividend income	(463,777)	(15,466)
Dividend and interest expense on securities sold short	55,542	12,364
Foreign exchange loss	(387,598)	103,878
Net realized gain on sale of investments	(1,920,530)	(46,863)
Net change in unrealized appreciation of investments	(509,333)	(128,796)
Other receivable	(5,812)	-
Derivative assets and liabilities	30,825	(71,774)
Performance fees payable	22,222	-
Management and administration fees payable	23,381	-
Interest and borrow fees expense	(439)	439
	<b>(2,132,580)</b>	<b>(14,358)</b>
Proceeds on disposal of investments	80,914,407	5,490,742
Amounts paid on purchase of investments	(92,619,604)	(12,736,178)
Dividend and interest expense paid on securities sold short	(53,958)	(12,364)
Dividends received	461,089	15,208
Interest received	28,616	-
	<b>(13,402,030)</b>	<b>(7,256,950)</b>
<b>Financing:</b>		
Proceeds from issue of redeemable units	18,337,301	11,730,306
Amounts paid on redemption of redeemable units	(4,287,268)	(100,554)
Distributions paid to unitholders	(8,786)	(1,260)
	<b>14,041,247</b>	<b>11,628,492</b>
Net increase (decrease) in cash	639,217	4,371,542
Cash, beginning of year/period	4,267,664	-
Effect of exchange rate fluctuations on cash	387,598	(103,878)
<b>Cash, end of year/period</b>	<b>5,294,479</b>	<b>4,267,664</b>

## Pender Alternative Arbitrage Fund

### Schedule of Investment Portfolio

December 31, 2022

	Issue currency	Number of shares	Cost (\$)	Fair value (\$)
<b>LONG POSITIONS</b>				
<b>Equities:</b>				
<b>Banks (2.9%):</b>				
First Horizon Corporation		11,420	364,536	378,836
Professional Holding Corp.		10,900	400,548	409,404
			<b>765,084</b>	<b>788,240</b>
<b>Communication services (3.6%)</b>				
ABIOMED, Inc., Rights		400	-	-
Shaw Communications Inc., Class 'B'		14,350	535,877	559,794
Tegna Inc.		14,300	383,754	410,285
			<b>919,631</b>	<b>970,079</b>
<b>Consumer discretionary (0.8%)</b>				
Freshii Inc., Class 'A'		2,934	6,530	6,572
Poshmark, Inc.		8,570	205,848	207,476
			<b>212,378</b>	<b>214,048</b>
<b>Consumer staples (0.7%)</b>				
Waterloo Brewing Ltd.		47,760	188,728	189,607
			<b>188,728</b>	<b>189,607</b>
<b>Diversified financials (34.2%)</b>				
26 Capital Acquisition Corp., Class 'A'		6,400	79,006	87,783
AltC Acquisition Corp., Class 'A'		6,346	79,738	85,237
Altitude Acquisition Corp., Class 'A'		30,200	414,498	405,637
Apollo Strategic Growth Capital II, Class 'A'		6,400	79,227	86,829
Ares Acquisition Corporation, Class 'A'		6,400	78,670	87,263
Arisz Acquisition Corp.		15,962	214,927	214,396
B. Riley Principal 250 Merger Corp., Class 'A'		6,500	79,869	87,746
Bannix Acquisition Corp.		12,506	170,697	172,210
BroadCapital Acquisition Corp		16,173	209,338	223,800
CF Acquisition Corp. IV, Class 'A'		7,100	87,334	97,672
Churchill Capital Corp VI, Class 'A'		39,190	519,097	530,367
Churchill Capital Corp VII, Class 'A'		47,716	634,328	644,136
Edify Acquisition Corp., Class 'A'		3,649	50,109	50,163
Elevate Credit, Inc.		78,700	189,814	186,480
Elliott Opportunity II Corp., Class 'A'		6,399	77,881	87,336
First Eagle Alternative Capital BDC, Inc.		38,630	213,284	222,819
First Light Acquisition Group, Inc., Class 'A'		42,100	562,986	579,725
Fortress Capital Acquisition Corp., Class 'A'		16,385	211,223	224,071
FTAC Emerald Acquisition Corp., Class 'A'		135	1,658	1,832
FTAC Hera Acquisition Corp., Class 'A'		6,500	80,912	89,066
Fusion Acquisition Corp. II, Class 'A'		6,500	80,312	88,362
Golden Arrow Merger Corp., Class 'A'		19,450	266,944	263,748
Gores Technology Partners II, Inc.		14,500	194,559	196,723
Health Sciences Acquisitions Corporation 2		41,000	554,184	554,585
Independence Holdings Corp., Class 'A'		6,506	79,241	88,884
Interprivate III Financial Partners Inc., Class 'A'		38,800	519,209	533,758
Jaws Mustang Acquisition Corporation, Class 'A'		6,400	80,458	87,566
Kensington Capital Acquisition Corp. V, Class 'A'		29,400	381,330	405,838
Khosla Ventures Acquisition Co. III, Class 'A'		6,400	78,383	86,266
KL Acquisition Corp, Class 'A'		38,850	531,716	530,763
Lazard Growth Acquisition Corp. I		6,500	79,928	88,978
Mason Industrial Technology, Inc., Class 'A'		18,406	241,626	249,093

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

## Pender Alternative Arbitrage Fund

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

December 31, 2022

	Issue currency	Number of shares	Cost (\$)	Fair value (\$)
<b>Diversified financials (34.2%) (cont'd)</b>				
Mountain Crest Acquisition Corp. V		61,300	839,868	830,831
MSD Acquisition Corp., Class 'A'		6,300	77,349	86,155
Parabellum Acquisition Corp., Class 'A'		420	5,774	5,787
Pontem Corporation, Class 'A'		2,100	25,832	28,747
RMG Acquisition Corp. III, Class 'A'		3,155	38,908	43,146
Slam Corp., Class 'A'		6,500	79,489	88,890
Social Capital Suvretta Holdings Corp. II, Class 'A'		6,400	78,989	87,263
Social Capital Suvretta Holdings Corp. IV, Class 'A'		6,400	78,990	87,089
Vector Acquisition Corporation II, Class 'A'		6,346	77,946	86,784
Warburg Pincus Capital Corporation I-A		6,429	78,653	87,919
Warburg Pincus Capital Corporation I-B		6,500	80,081	88,802
Welsbach Technology Metals Acquisition Corp.		22,565	307,212	311,641
			<b>8,891,577</b>	<b>9,172,186</b>
<b>Health care (10.4%)</b>				
1Life Healthcare, Inc.		18,500	404,731	418,569
AVEO Pharmaceuticals, Inc.		20,600	414,809	416,991
Columbia Care Inc.		214,210	498,042	216,352
F-star Therapeutics, Inc.		17,330	143,204	148,298
Imago BioSciences, Inc.		6,800	323,761	330,999
Meridian Bioscience, Inc.		12,900	553,411	580,066
Myovant Sciences Ltd.		3,900	141,269	142,365
SeaSpine Holdings Corporation		47,730	396,322	539,631
			<b>2,875,549</b>	<b>2,793,271</b>
<b>Industrials (7.1%)</b>				
Aerojet Rocketdyne Holdings, Inc.		1,800	136,284	136,313
Altra Industrial Motion Corp.		2,300	186,243	186,073
Atlas Air Worldwide Holdings, Inc.		5,100	662,568	696,064
Atlas Corp.		13,010	265,050	270,222
Maxar Technologies Inc.		4,590	321,453	321,300
Spirit Airlines, Inc.		11,700	343,171	308,598
			<b>1,914,769</b>	<b>1,918,570</b>
<b>Information technology (17.7%)</b>				
Benefitfocus, Inc.		14,190	195,776	200,971
Black Knight, Inc.		2,280	186,843	190,630
Coupa Software Incorporated		3,700	395,889	396,626
EVO Payments, Inc., Class 'A'		9,400	405,595	430,702
ForgeRock, Inc.		17,800	551,838	548,784
KnowBe4, Inc.		4,050	135,650	135,886
MoneyGram International, Inc.		52,800	706,985	778,539
O2Micro International Limited		35,900	212,159	217,280
Qumu Corporation		113,616	136,388	137,483
Sierra Wireless, Inc.		16,570	656,697	650,413
Tufin Software Technologies Ltd.		30,800	501,264	542,142
UserTesting, Inc.		50,500	505,370	513,511
			<b>4,590,454</b>	<b>4,742,967</b>
<b>Insurance (0.6%)</b>				
ICPEI Holdings Inc.		44,200	171,717	172,822
			<b>171,717</b>	<b>172,822</b>

## Pender Alternative Arbitrage Fund

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

December 31, 2022

	Issue currency	Number of shares	Cost (\$)	Fair value (\$)
<b>Materials (1.0%)</b>				
AgroFresh Solutions, Inc.		65,700	259,731	263,315
			<b>259,731</b>	<b>263,315</b>
<b>Real estate (5.1%)</b>				
STORE Capital Corporation		16,500	704,256	716,252
Summit Industrial Income REIT		28,800	647,295	653,472
			<b>1,351,551</b>	<b>1,369,724</b>
<b>Utilities (0.5%)</b>				
South Jersey Industries, Inc.		3,000	127,448	144,323
			<b>127,448</b>	<b>144,323</b>
<b>Total equities (long) (84.6%)</b>			<b>22,268,617</b>	<b>22,739,152</b>
<b>Warrants (0.1%):</b>				
Saturn Oil & Gas Inc., strike price \$3.20, expiry 2023/07/07	CAD	111,790	-	19,843
Saturn Oil & Gas Inc., strike price \$4.00, expiry 2025/03/10	CAD	32,000	-	16,000
			-	<b>35,843</b>
<b>Total long positions (84.7%)</b>			<b>22,268,617</b>	<b>22,774,995</b>
<b>SHORT POSITIONS</b>				
<b>Equities:</b>				
<b>Banks (-1.5%):</b>				
Seacoast Banking Corporation of Florida		(9,710)	(412,316)	(410,066)
			<b>(412,316)</b>	<b>(410,066)</b>
<b>Health care (-3.1%):</b>				
Cresco Labs Inc.		(119,507)	(552,487)	(292,792)
Orthofix Medical Inc.		(19,869)	(409,418)	(552,311)
			<b>(961,905)</b>	<b>(845,103)</b>
<b>Total short positions (-4.6%)</b>			<b>(1,374,221)</b>	<b>(1,255,169)</b>
Less: Transaction costs included in cost of investments			(12,700)	
<b>Total investments (80.1%)</b>			<b>20,881,696</b>	<b>21,519,826</b>
	Contract rate	Pay	Receive	Unrealized gain (loss)
<b>Derivative assets:</b>				
The Bank of Nova Scotia, Foreign Currency Forward, settlement 2023/03/07	1.36	USD 18,803,820	CAD 25,489,667	40,949
<b>Total derivative assets (0.2%)</b>				<b>40,949</b>
Cash (19.7%)				5,294,479
Other assets less liabilities (0.0%)				(3,402)
<b>Total net assets attributable to holders of redeemable units (100.0%)</b>				<b>26,851,852</b>

# Pender Alternative Arbitrage Plus Fund

## Statement of Financial Position

December 31, 2022

	2022 (\$)
<b>Assets</b>	
Receivable for investments sold	16,937
Subscriptions receivable	1,890
Dividends receivable	1,100
Derivative assets	10,361
Investments	7,114,099
	<b>7,144,387</b>
<b>Liabilities</b>	
Bank overdraft	890,309
Payable for investments purchased	728
Investments sold short	283,090
	<b>1,174,127</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>5,970,260</b>
<b>Net assets attributable to holders of redeemable units per class:</b>	
Class A	56,506
Class A (USD)	6,865
Class E	64,080
Class F	1,009,893
Class F (USD)	70,523
Class H	5,076
Class H (USD)	6,866
Class I	3,721,095
Class I (USD)	6,867
Class N	5,077
Class O	1,017,412
	<b>5,970,260</b>
<b>Net assets attributable to holders of redeemable units per unit:</b>	
Class A	10.10
Class A (USD)	13.71
Class E	10.10
Class F	10.11
Class F (USD)	13.71
Class H	10.11
Class H (USD)	13.71
Class I	10.18
Class I (USD)	13.71
Class N	10.11
Class O	10.07

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 Plus Fund

### Statement of Comprehensive Income

For the Period from September 1, 2022 (commencement of operations) to December 31, 2022

	2022 (\$)
<b>Revenue</b>	
Interest for distribution purposes	6,617
Dividend income	21,352
Dividend and interest expense on securities sold short	(2,239)
Foreign exchange gain (loss)	(48,385)
<b>Changes in fair value of investments and derivatives:</b>	
Net realized gain (loss)	67,958
Net change in unrealized appreciation (depreciation)	95,468
<b>Total revenue</b>	<b>140,771</b>
<b>Expenses</b>	
Interest and borrow fees expense	15,928
Performance fees (note 4)	15,780
Transaction costs	8,859
Management fees (note 4)	6,653
Administration fees (note 4)	5,505
Withholding taxes (note 6)	1,733
Independent review committee fees	156
<b>Total expenses</b>	<b>54,614</b>
Less: Fees waived and expenses absorbed by the Manager (note 4)	(28,094)
<b>Net expenses</b>	<b>26,520</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>114,251</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class:</b>	
Class A	860
Class A (USD)	286
Class E	976
Class F	19,423
Class F (USD)	1,235
Class H	76
Class H (USD)	287
Class I	69,833
Class I (USD)	288
Class N	77
Class O	20,910
	<b>114,251</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>	
Class A	0.50
Class A (USD)	0.57
Class E	0.14
Class F	0.38
Class F (USD)	0.40
Class H	0.15
Class H (USD)	0.57
Class I	0.30
Class I (USD)	0.58
Class N	0.15
Class O	0.11

## Pender Alternative Arbitrage Plus Fund

### Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

For the Period from September 1, 2022 (commencement of operations) to December 31, 2022

Class A	2022 (\$)
Balance, beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units	860
<b>Unit transactions:</b>	
Proceeds from issue of redeemable units	60,675
Issued on reinvestment of distributions	113
Amounts paid on redemption of redeemable units	(5,029)
	<b>55,759</b>
<b>Distributions paid from:</b>	
Net investment income	(113)
Realized gains on sale of investments	-
Return of capital	-
	<b>(113)</b>
<b>Balance, end of period</b>	<b>56,506</b>
Class A (USD)	2022 (\$)
Balance, beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units	286
<b>Unit transactions:</b>	
Proceeds from issue of redeemable units	6,579
Issued on reinvestment of distributions	14
Amounts paid on redemption of redeemable units	-
	<b>6,593</b>
<b>Distributions paid from:</b>	
Net investment income	(14)
Realized gains on sale of investments	-
Return of capital	-
	<b>(14)</b>
<b>Balance, end of period</b>	<b>6,865</b>
Class E	2022 (\$)
Balance, beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units	976
<b>Unit transactions:</b>	
Proceeds from issue of redeemable units	68,134
Issued on reinvestment of distributions	128
Amounts paid on redemption of redeemable units	(5,030)
	<b>63,232</b>
<b>Distributions paid from:</b>	
Net investment income	(128)
Realized gains on sale of investments	-
Return of capital	-
	<b>(128)</b>
<b>Balance, end of period</b>	<b>64,080</b>

## Pender Alternative Arbitrage Plus Fund

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

For the Period from September 1, 2022 (commencement of operations) to December 31, 2022

Class F	2022 (\$)
Balance, beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units	19,423
<b>Unit transactions:</b>	
Proceeds from issue of redeemable units	995,561
Issued on reinvestment of distributions	1,834
Amounts paid on redemption of redeemable units	(5,033)
	<b>992,362</b>
<b>Distributions paid from:</b>	
Net investment income	(1,892)
Realized gains on sale of investments	-
Return of capital	-
	<b>(1,892)</b>
<b>Balance, end of period</b>	<b>1,009,893</b>
Class F (USD)	2022 (\$)
Balance, beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units	1,235
<b>Unit transactions:</b>	
Proceeds from issue of redeemable units	76,068
Issued on reinvestment of distributions	141
Amounts paid on redemption of redeemable units	(6,780)
	<b>69,429</b>
<b>Distributions paid from:</b>	
Net investment income	(141)
Realized gains on sale of investments	-
Return of capital	-
	<b>(141)</b>
<b>Balance, end of period</b>	<b>70,523</b>
Class H	2022 (\$)
Balance, beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units	76
<b>Unit transactions:</b>	
Proceeds from issue of redeemable units	5,000
Issued on reinvestment of distributions	10
Amounts paid on redemption of redeemable units	-
	<b>5,010</b>
<b>Distributions paid from:</b>	
Net investment income	(10)
Realized gains on sale of investments	-
Return of capital	-
	<b>(10)</b>
<b>Balance, end of period</b>	<b>5,076</b>

## Pender Alternative Arbitrage Plus Fund

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

For the Period from September 1, 2022 (commencement of operations) to December 31, 2022

Class H (USD)	2022 (\$)
Balance, beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units	287
<b>Unit transactions:</b>	
Proceeds from issue of redeemable units	6,579
Issued on reinvestment of distributions	14
Amounts paid on redemption of redeemable units	-
	<b>6,593</b>
<b>Distributions paid from:</b>	
Net investment income	(14)
Realized gains on sale of investments	-
Return of capital	-
	<b>(14)</b>
<b>Balance, end of period</b>	<b>6,866</b>
Class I	2022 (\$)
Balance, beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units	69,833
<b>Unit transactions:</b>	
Proceeds from issue of redeemable units	3,656,331
Issued on reinvestment of distributions	7,344
Amounts paid on redemption of redeemable units	(5,069)
	<b>3,658,606</b>
<b>Distributions paid from:</b>	
Net investment income	(7,344)
Realized gains on sale of investments	-
Return of capital	-
	<b>(7,344)</b>
<b>Balance, end of period</b>	<b>3,721,095</b>
Class I (USD)	2022 (\$)
Balance, beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units	288
<b>Unit transactions:</b>	
Proceeds from issue of redeemable units	6,579
Issued on reinvestment of distributions	14
Amounts paid on redemption of redeemable units	-
	<b>6,593</b>
<b>Distributions paid from:</b>	
Net investment income	(14)
Realized gains on sale of investments	-
Return of capital	-
	<b>(14)</b>
<b>Balance, end of period</b>	<b>6,867</b>

## Pender Alternative Arbitrage Plus Fund

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

For the Period from September 1, 2022 (commencement of operations) to December 31, 2022

Class N	2022 (\$)
Balance, beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units	77
<b>Unit transactions:</b>	
Proceeds from issue of redeemable units	5,000
Issued on reinvestment of distributions	10
Amounts paid on redemption of redeemable units	-
	<b>5,010</b>
<b>Distributions paid from:</b>	
Net investment income	(10)
Realized gains on sale of investments	-
Return of capital	-
	<b>(10)</b>
<b>Balance, end of period</b>	<b>5,077</b>
Class O	2022 (\$)
Balance, beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units	20,910
<b>Unit transactions:</b>	
Proceeds from issue of redeemable units	2,090,003
Issued on reinvestment of distributions	4,072
Amounts paid on redemption of redeemable units	(1,093,501)
	<b>1,000,574</b>
<b>Distributions paid from:</b>	
Net investment income	(4,072)
Realized gains on sale of investments	-
Return of capital	-
	<b>(4,072)</b>
<b>Balance, end of period</b>	<b>1,017,412</b>
Total Fund	2022 (\$)
Balance, beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units	114,251
<b>Unit transactions:</b>	
Proceeds from issue of redeemable units	6,976,509
Issued on reinvestment of distributions	13,694
Amounts paid on redemption of redeemable units	(1,120,442)
	<b>5,869,761</b>
<b>Distributions paid from:</b>	
Net investment income	(13,752)
Realized gains on sale of investments	-
Return of capital	-
	<b>(13,752)</b>
<b>Balance, end of period</b>	<b>5,970,260</b>

## Pender Alternative Arbitrage Plus Fund

### Statement of Cash Flows

For the Period from September 1, 2022 (commencement of operations) to December 31, 2022

	2022 (\$)
<b>Cash provided by (used in):</b>	
<b>Operating:</b>	
Increase (decrease) in net assets attributable to holders of redeemable units	114,251
<b>Adjustments for:</b>	
Interest for distribution purposes	(6,617)
Dividend income	(21,352)
Dividend and interest expense on securities sold short	2,239
Foreign exchange (gain) loss	48,385
Net realized (gain) loss on sale of investments	(81,074)
Net change in unrealized (appreciation) depreciation of investments	(85,107)
Derivative assets and liabilities	(10,361)
	<b>(39,636)</b>
Proceeds on disposal of investments	9,831,436
Amounts paid on purchase of investments	(16,512,473)
Dividend and interest expense paid on securities sold short	(2,239)
Dividends received	20,252
Interest received	6,617
	<b>(6,696,043)</b>
<b>Financing:</b>	
Proceeds from issue of redeemable units	6,974,619
Amounts paid on redemption of redeemable units	(1,120,442)
Distributions paid to unitholders	(58)
	<b>5,854,119</b>
Net increase (decrease) in cash	(841,924)
Cash, beginning of period	-
Effect of exchange rate fluctuations on cash	(48,385)
<b>Bank overdraft, end of period</b>	<b>(890,309)</b>

## Pender Alternative Arbitrage Plus Fund

### Schedule of Investment Portfolio

December 31, 2022

	Number of shares	Cost (\$)	Fair value (\$)
<b>LONG POSITIONS</b>			
<b>Equities:</b>			
<b>Banks (3.0%):</b>			
First Horizon Corporation	4,280	138,886	141,980
Professional Holding Corp.	970	34,536	36,433
		<b>173,422</b>	<b>178,413</b>
<b>Communication services (5.5%)</b>			
ABIOMED, Inc., Rights	140	-	-
Shaw Communications Inc., Class 'B'	4,980	172,137	194,270
Tegna Inc.	4,600	123,035	131,980
		<b>295,172</b>	<b>326,250</b>
<b>Consumer discretionary (1.2%)</b>			
Freshii Inc., Class 'A'	966	2,150	2,164
Poshmark, Inc.	2,970	71,617	71,902
		<b>73,767</b>	<b>74,066</b>
<b>Consumer staples (1.1%)</b>			
Waterloo Brewing Ltd.	17,240	68,126	68,443
		<b>68,126</b>	<b>68,443</b>
<b>Diversified financials (45.1%)</b>			
26 Capital Acquisition Corp., Class 'A'	2,300	30,592	31,547
Altitude Acquisition Corp., Class 'A'	10,800	147,060	145,062
Apollo Strategic Growth Capital II, Class 'A'	2,300	30,761	31,204
Arisz Acquisition Corp.	4,428	59,623	59,475
B. Riley Principal 250 Merger Corp., Class 'A'	2,340	31,034	31,589
Bannix Acquisition Corp.	3,794	51,736	52,244
Churchill Capital Corp VI, Class 'A'	13,980	187,284	189,195
Churchill Capital Corp VII, Class 'A'	15,490	207,984	209,105
Edify Acquisition Corp., Class 'A'	1,364	18,730	18,652
Elevate Credit, Inc.	29,900	72,116	70,848
First Eagle Alternative Capital BDC, Inc.	13,220	72,970	76,253
First Light Acquisition Group, Inc., Class 'A'	11,000	148,379	151,472
Fortress Capital Acquisition Corp., Class 'A'	5,870	79,057	80,275
FTAC Hera Acquisition Corp., Class 'A'	2,310	31,028	31,653
Fusion Acquisition Corp. II, Class 'A'	2,320	30,950	31,538
Gores Technology Partners II, Inc.	5,300	71,115	71,906
Health Sciences Acquisitions Corporation 2	14,300	192,679	193,428
Independence Holdings Corp., Class 'A'	2,310	31,007	31,559
InterPrivate III Financial Partners Inc., Class 'A'	14,200	190,020	195,344
Jaws Mustang Acquisition Corporation, Class 'A'	1,500	20,086	20,523
Kensington Capital Acquisition Corp. V, Class 'A'	7,000	94,096	96,628
Khosla Ventures Acquisition Co. III, Class 'A'	2,280	30,352	30,732
KL Acquisition Corp, Class 'A'	14,550	199,137	198,780
Lazard Growth Acquisition Corp. I	2,310	30,855	31,621
Mason Industrial Technology, Inc., Class 'A'	6,774	91,161	91,674
Mountain Crest Acquisition Corp. V	21,900	299,167	296,823
Parabellum Acquisition Corp., Class 'A'	157	2,158	2,163
Pontem Corporation, Class 'A'	800	10,703	10,951
RMG Acquisition Corp. III, Class 'A'	1,100	14,689	15,043
Slam Corp., Class 'A'	2,310	31,023	31,590
Social Capital Suvretta Holdings Corp. II, Class 'A'	2,280	30,383	31,087
Social Capital Suvretta Holdings Corp. IV, Class 'A'	2,280	30,368	31,026

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

## Pender Alternative Arbitrage Plus Fund

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

December 31, 2022

	Number of shares	Cost (\$)	Fair value (\$)
<b>Diversified financials (45.1%) (cont'd)</b>			
Warburg Pincus Capital Corporation I-B	1,540	20,602	21,039
Welsbach Technology Metals Acquisition Corp.	6,366	86,675	87,920
		<b>2,675,580</b>	<b>2,699,949</b>
<b>Health care (15.6%)</b>			
1Life Healthcare, Inc.	6,400	147,268	144,802
AVEO Pharmaceuticals, Inc.	7,200	144,598	145,745
Columbia Care Inc.	65,890	161,299	66,549
F-star Therapeutics, Inc.	5,430	43,041	46,466
Imago BioSciences, Inc.	2,500	119,030	121,691
Meridian Bioscience, Inc.	4,550	196,337	204,597
Myovant Sciences Ltd.	1,400	50,614	51,105
SeaSpine Holdings Corporation	13,530	112,990	152,969
		<b>975,177</b>	<b>933,924</b>
<b>Industrials (11.6%)</b>			
Aerojet Rocketdyne Holdings, Inc.	600	45,428	45,438
Altra Industrial Motion Corp.	900	72,578	72,811
Atlas Air Worldwide Holdings, Inc.	1,930	259,110	263,413
Atlas Corp.	4,830	98,610	100,321
Maxar Technologies Inc.	1,490	104,276	104,300
Spirit Airlines, Inc.	4,100	116,109	108,141
		<b>696,111</b>	<b>694,424</b>
<b>Information technology (24.1%)</b>			
Benefitfocus, Inc.	4,160	57,394	58,917
Black Knight, Inc.	870	71,295	72,740
Coupa Software Incorporated	1,200	128,421	128,635
EVO Payments, Inc., Class 'A'	2,500	112,686	114,548
ForgeRock, Inc.	6,500	200,323	200,399
KnowBe4, Inc.	1,500	50,074	50,328
MoneyGram International, Inc.	17,400	246,838	256,564
O2Micro International Limited	12,500	72,948	75,655
Qumu Corporation	37,430	44,932	45,293
Sierra Wireless, Inc.	6,080	247,458	238,655
UserTesting, Inc.	19,200	191,935	195,236
		<b>1,424,304</b>	<b>1,436,970</b>
<b>Insurance (1.1%)</b>			
ICPEI Holdings Inc.	16,200	62,937	63,342
		<b>62,937</b>	<b>63,342</b>
<b>Materials (1.6%)</b>			
AgroFresh Solutions, Inc.	24,100	95,274	96,589
		<b>95,274</b>	<b>96,589</b>
<b>Real estate (8.2%)</b>			
STORE Capital Corporation	5,750	246,731	249,603
Summit Industrial Income REIT	10,500	235,976	238,245
		<b>482,707</b>	<b>487,848</b>
<b>Utilities (0.9%)</b>			
South Jersey Industries, Inc.	1,120	50,768	53,881
		<b>50,768</b>	<b>53,881</b>
<b>Total equities (long) (119.0%)</b>		<b>7,073,345</b>	<b>7,114,099</b>
<b>Total long positions (119.0%)</b>		<b>7,073,345</b>	<b>7,114,099</b>



## Pender Alternative Arbitrage Plus Fund

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

December 31, 2022

	Number of shares	Cost (\$)	Fair value (\$)	
<b>SHORT POSITIONS</b>				
<b>Equities:</b>				
<b>Banks (-0.6%):</b>				
New York Community Bancorp, Inc.	(1)	(12)	(12)	
Seacoast Banking Corporation of Florida	(864)	(35,609)	(36,488)	
		<b>(35,621)</b>	<b>(36,500)</b>	
<b>Health care (-4.1%):</b>				
Cresco Labs Inc.	(36,760)	(171,367)	(90,062)	
Orthofix Medical Inc.	(5,631)	(116,829)	(156,528)	
		<b>(288,196)</b>	<b>(246,590)</b>	
<b>Total short positions (-4.7%)</b>		<b>(323,817)</b>	<b>(283,090)</b>	
Less: Transaction costs included in cost of investments		(3,626)		
<b>Total investments (114.3%)</b>		<b>6,745,902</b>	<b>6,831,009</b>	
	Contract rate	Pay	Receive	Unrealized gain (loss)
<b>Derivative assets:</b>				
The Bank of Nova Scotia, Foreign Currency Forward, settlement 2023/03/07	1.36	USD 4,021,300	CAD 5,452,708	10,361
<b>Total derivative assets (0.2%)</b>				<b>10,361</b>
Bank overdraft (-14.8%)				(890,309)
Other assets less liabilities (0.3%)				19,199
<b>Total net assets attributable to holders of redeemable units (100.0%)</b>				<b>5,970,260</b>

## Pender Alternative Multi-Strategy Income Fund (formerly Pender Value Fund II)

### Statements of Financial Position

December 31, 2022 and 2021

	2022 (\$)	2021 (\$)
<b>Assets</b>		
Cash	64,340	-
Receivable for investments sold	-	248,093
Dividends receivable	-	8,859
Investments	5,871,151	15,744,912
	<b>5,935,491</b>	<b>16,001,864</b>
<b>Liabilities</b>		
Bank overdraft	-	170,411
Management and administration fees payable (note 4)	10,571	25,743
Redemptions payable to holders of redeemable units	10,210	3,874
Accrued expenses	283	1,294
	<b>21,064</b>	<b>201,322</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>5,914,427</b>	<b>15,800,542</b>
<b>Net assets attributable to holders of redeemable units per class:</b>		
Class A	3,288,034	7,173,180
Class A1	-	283,141
Class E	4,325	5,975
Class F	1,972,805	3,741,359
Class F1	-	1,109,543
Class H	5,073	-
Class I	635,529	2,177,025
Class N	4,280	5,932
Class O	4,381	1,304,387
	<b>5,914,427</b>	<b>15,800,542</b>
<b>Net assets attributable to holders of redeemable units per unit:</b>		
Class A	11.53	16.26
Class A1	-	11.49
Class E	8.65	11.95
Class F	12.50	17.44
Class F1	-	11.73
Class H	10.15	-
Class I	8.46	11.78
Class N	8.56	11.86
Class O	8.78	12.07

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

*(signed) "David Barr"*

**David Barr**  
Director

*(signed) "Felix Narhi"*

**Felix Narhi**  
Director

## Pender Alternative Multi-Strategy Income Fund (formerly Pender Value Fund II)

### Statements of Comprehensive Income

Years ended December 31, 2022 and 2021

	2022 (\$)	2021 (\$)
<b>Revenue</b>		
Distributions from underlying funds	106,638	7,822
Interest for distribution purposes	296	75,194
Dividend income	61,151	193,746
Securities lending income (note 5)	-	1,009
Foreign exchange gain (loss)	4,330	6,795
<b>Changes in fair value of investments:</b>		
Net realized gain (loss)	(2,806,803)	3,722,155
Net change in unrealized appreciation (depreciation)	(905,700)	(3,271,842)
<b>Total revenue</b>	<b>(3,540,088)</b>	<b>734,879</b>
<b>Expenses</b>		
Management fees (note 4)	113,566	285,360
Administration fees (note 4)	53,955	120,503
Transaction costs	12,639	36,456
Withholding taxes (recovery) (note 6)	3,582	5,833
Independent review committee fees	155	320
Other taxes (recovery)	(4,542)	-
<b>Total expenses</b>	<b>179,355</b>	<b>448,472</b>
Less: Expenses absorbed by the Manager (note 4)	(155)	(320)
<b>Net expenses</b>	<b>179,200</b>	<b>448,152</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>(3,719,288)</b>	<b>286,727</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class:</b>		
Class A	(1,827,195)	183,257
Class A1	(58,453)	(20,078)
Class E	(1,650)	6
Class F	(966,751)	329,773
Class F1	(137,898)	(38,915)
Class H	73	-
Class I	(377,266)	(175,150)
Class N	(1,652)	(15)
Class O	(348,496)	7,849
	<b>(3,719,288)</b>	<b>286,727</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>		
Class A	(5.18)	0.32
Class A1	(3.42)	(0.83)
Class E	(3.30)	0.02
Class F	(5.13)	1.17
Class F1	(3.84)	(0.22)
Class H	0.14	-
Class I	(4.03)	(0.73)
Class N	(3.30)	(0.04)
Class O	(5.64)	0.08

## Pender Alternative Multi-Strategy Income Fund (formerly Pender Value Fund II)

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2022 and 2021

Class A	2022 (\$)	2021 (\$)
Balance, beginning of year	7,173,180	11,343,918
Increase (decrease) in net assets attributable to holders of redeemable units	(1,827,195)	183,257
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	134,301	13,900
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	(2,192,252)	(4,367,895)
	<b>(2,057,951)</b>	<b>(4,353,995)</b>
<b>Distributions paid from:</b>		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
<b>Balance, end of year</b>	<b>3,288,034</b>	<b>7,173,180</b>
Class A1	2022 (\$)	2021 (\$)
Balance, beginning of year	283,141	204,325
Increase (decrease) in net assets attributable to holders of redeemable units	(58,453)	(20,078)
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	3,000	162,658
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	(227,688)	(63,764)
	<b>(224,688)</b>	<b>98,894</b>
<b>Distributions paid from:</b>		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
<b>Balance, end of year</b>	-	<b>283,141</b>
Class E	2022 (\$)	2021 (\$)
Balance, beginning of year	5,975	5,969
Increase (decrease) in net assets attributable to holders of redeemable units	(1,650)	6
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	-	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	-	-
<b>Distributions paid from:</b>		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
<b>Balance, end of year</b>	<b>4,325</b>	<b>5,975</b>

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

## Pender Alternative Multi-Strategy Income Fund (formerly Pender Value Fund II)

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Years ended December 31, 2022 and 2021

Class F	2022 (\$)	2021 (\$)
Balance, beginning of year	3,741,359	7,239,440
Increase (decrease) in net assets attributable to holders of redeemable units	(966,751)	329,773
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	490,200	35,770
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	(1,292,003)	(3,863,624)
	<b>(801,803)</b>	<b>(3,827,854)</b>
<b>Distributions paid from:</b>		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
<b>Balance, end of year</b>	<b>1,972,805</b>	<b>3,741,359</b>

Class F1	2022 (\$)	2021 (\$)
Balance, beginning of year	1,109,543	1,945,831
Increase (decrease) in net assets attributable to holders of redeemable units	(137,898)	(38,915)
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	366,512	1,642,672
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	(1,338,157)	(2,440,045)
	<b>(971,645)</b>	<b>(797,373)</b>
<b>Distributions paid from:</b>		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
<b>Balance, end of year</b>	<b>-</b>	<b>1,109,543</b>

Class H	2022 (\$)	2021 (\$)
Balance, beginning of period	-	-
Increase (decrease) in net assets attributable to holders of redeemable units	73	-
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	5,000	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	<b>5,000</b>	<b>-</b>
<b>Distributions paid from:</b>		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
<b>Balance, end of period</b>	<b>5,073</b>	<b>-</b>

## Pender Alternative Multi-Strategy Income Fund (formerly Pender Value Fund II)

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Years ended December 31, 2022 and 2021

Class I	2022 (\$)	2021 (\$)
Balance, beginning of year	2,177,025	2,076,611
Increase (decrease) in net assets attributable to holders of redeemable units	(377,266)	(175,150)
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	100,621	2,283,098
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	(1,264,851)	(2,007,534)
	<b>(1,164,230)</b>	<b>275,564</b>
<b>Distributions paid from:</b>		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
<b>Balance, end of year</b>	<b>635,529</b>	<b>2,177,025</b>

Class N	2022 (\$)	2021 (\$)
Balance, beginning of year	5,932	5,947
Increase (decrease) in net assets attributable to holders of redeemable units	(1,652)	(15)
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	-	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	-	-
	-	-
<b>Distributions paid from:</b>		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
<b>Balance, end of year</b>	<b>4,280</b>	<b>5,932</b>

Class O	2022 (\$)	2021 (\$)
Balance, beginning of year	1,304,387	1,296,538
Increase (decrease) in net assets attributable to holders of redeemable units	(348,496)	7,849
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	-	-
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	(951,510)	-
	<b>(951,510)</b>	-
<b>Distributions paid from:</b>		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
<b>Balance, end of year</b>	<b>4,381</b>	<b>1,304,387</b>

## Pender Alternative Multi-Strategy Income Fund (formerly Pender Value Fund II)

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Years ended December 31, 2022 and 2021

Total Fund	2022 (\$)	2021 (\$)
Balance, beginning of year	15,800,542	24,118,579
Increase (decrease) in net assets attributable to holders of redeemable units	(3,719,288)	286,727
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	1,099,634	4,138,098
Issued on reinvestment of distributions	-	-
Amounts paid on redemption of redeemable units	(7,266,461)	(12,742,862)
	<b>(6,166,827)</b>	<b>(8,604,764)</b>
<b>Distributions paid from:</b>		
Net investment income	-	-
Realized gains on sale of investments	-	-
Return of capital	-	-
	-	-
<b>Balance, end of year</b>	<b>5,914,427</b>	<b>15,800,542</b>

## Pender Alternative Multi-Strategy Income Fund (formerly Pender Value Fund II)

### Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022 (\$)	2021 (\$)
<b>Cash provided by (used in):</b>		
<b>Operating:</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	(3,719,288)	286,727
<b>Adjustments for:</b>		
Distributions from underlying funds	(106,638)	(7,822)
Interest for distribution purposes	(296)	(75,194)
Dividend income	(61,151)	(193,746)
Foreign exchange (gain) loss on cash	(4,330)	(6,795)
Net realized (gain) loss on sale of investments	2,806,803	(3,722,155)
Net change in unrealized (appreciation) depreciation of investments	905,700	3,271,842
Other receivable	-	100
Management and administration fees payable	(15,172)	(9,916)
Accrued expenses	(1,011)	270
	<b>(195,383)</b>	<b>(456,689)</b>
Proceeds on disposal of investments	13,262,356	23,381,709
Amounts paid on purchase of investments	(6,853,005)	(14,802,609)
Dividends received	70,010	191,166
Distributions from underlying funds	106,638	7,822
Interest received	296	122,978
	<b>6,390,912</b>	<b>8,444,377</b>
<b>Financing:</b>		
Proceeds from issue of redeemable units	1,093,255	3,918,756
Amounts paid on redemption of redeemable units	(7,253,746)	(12,570,732)
	<b>(6,160,491)</b>	<b>(8,651,976)</b>
Net increase (decrease) in cash	230,421	(207,599)
Cash, beginning of year	(170,411)	30,393
Effect of exchange rate fluctuations on cash	4,330	6,795
<b>Cash (Bank overdraft), end of year</b>	<b>64,340</b>	<b>(170,411)</b>



## Pender Alternative Multi-Strategy Income Fund (formerly Pender Value Fund II)

### Schedule of Investment Portfolio

December 31, 2022

	Issue currency	Number of shares / units / Face value (\$)	Cost (\$)	Fair value (\$)
<b>Mutual funds:</b>				
Pender Alternative Absolute Return Fund, Class 'O'		191,889	1,905,821	1,954,605
Pender Alternative Arbitrage Fund, Class 'O'		90,113	949,386	951,763
Pender Alternative Arbitrage Plus Fund, Class 'O'		100,589	1,005,861	1,013,200
Pender Corporate Bond Fund, Class 'O'		191,206	1,991,331	1,949,780
<b>Total mutual funds (99.2%)</b>			<b>5,852,399</b>	<b>5,869,348</b>
<b>Equities:</b>				
Information technology (0.0%):				
SECURE Energy Services Inc.		360,677	180,339	1,803
			<b>180,339</b>	<b>1,803</b>
Materials (0.0%):				
Red Eagle Mining Corporation		428,759	215,951	-
			<b>215,951</b>	<b>-</b>
<b>Total equities (0.0%)</b>			<b>396,290</b>	<b>1,803</b>
<b>Warrants:</b>				
BuildDirect.com Technologies Inc., strike price \$6.90, expiry 2023/08/23	CAD	129,600	-	-
GreenSpace Brands Inc., strike price \$0.08, expiry 2023/12/22	CAD	999,640	-	-
GreenSpace Brands Inc., Restricted, strike price \$0.09, expiry 2023/09/28	CAD	266,000	-	-
Pershing Square Tontine Holdings, Ltd., strike price \$23.00, expiry 2025/07/24	USD	888	-	-
<b>Total warrants (0.0%)</b>			<b>-</b>	<b>-</b>
Less: Transaction costs included in cost of investments			(161)	
<b>Total investments (99.2%)</b>			<b>6,248,528</b>	<b>5,871,151</b>
Cash (1.1%)				64,340
Other assets less liabilities (-0.3%)				(21,064)
<b>Total net assets attributable to holders of redeemable units (100.0%)</b>				<b>5,914,427</b>

## Pender Alternative Special Situations Fund (formerly Pender Special Situations Fund)

### Statements of Financial Position

December 31, 2022 and 2021

	2022 (\$)	2021 (\$)
<b>Assets</b>		
Cash	-	32,738
Dividends receivable	6,912	460
Investments	1,864,306	1,831,675
	<b>1,871,218</b>	<b>1,864,873</b>
<b>Liabilities</b>		
Bank overdraft	631,605	-
Payable for investments purchased	-	5,299
Accrued expenses	59	-
	<b>631,664</b>	<b>5,299</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>1,239,554</b>	<b>1,859,574</b>
<b>Net assets attributable to holders of redeemable units per class:</b>		
Class A	309,657	420,058
Class D	-	101,130
Class E	184,791	120,043
Class F	281,002	354,001
Class H	247,939	469,799
Class I	207,127	383,721
Class N	4,519	5,411
Class O	4,519	5,411
	<b>1,239,554</b>	<b>1,859,574</b>
<b>Net assets attributable to holders of redeemable units per unit:</b>		
Class A	15.47	18.75
Class D	-	10.00
Class E	8.25	10.00
Class F	15.47	18.75
Class H	8.25	10.00
Class I	8.25	10.00
Class N	8.25	10.00
Class O	8.25	10.00

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

*(signed) "David Barr"*

**David Barr**  
Director

*(signed) "Felix Narhi"*

**Felix Narhi**  
Director

## Pender Alternative Special Situations Fund (formerly Pender Special Situations Fund)

### Statements of Comprehensive Income

Years ended December 31, 2022 and 2021

	2022 (\$)	2021 (\$)
<b>Revenue</b>		
Dividend income	23,011	8,745
Foreign exchange gain (loss)	1,330	112
<b>Changes in fair value of investments:</b>		
Net realized gain (loss)	(544,093)	136,788
Net change in unrealized appreciation (depreciation)	57,484	(61,008)
<b>Total revenue</b>	<b>(462,268)</b>	<b>84,637</b>
<b>Expenses</b>		
Management fees (note 4)	27,281	8,624
Administration fees (note 4)	12,737	3,638
Transaction costs	8,908	9,405
Withholding taxes (recovery) (note 6)	708	8
Independent review committee fees	32	35
<b>Total expenses</b>	<b>49,666</b>	<b>21,710</b>
Less: Fees waived and expenses absorbed by the Manager (note 4)	(41,787)	(14,768)
<b>Net expenses</b>	<b>7,879</b>	<b>6,942</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>(470,147)</b>	<b>77,695</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class:</b>		
Class A	(104,199)	43,752
Class D	3,508	(4,329)
Class E	(38,129)	6,400
Class F	(73,420)	39,330
Class H	(146,291)	14,798
Class I	(109,784)	(23,078)
Class N	(916)	411
Class O	(916)	411
	<b>(470,147)</b>	<b>77,695</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>		
Class A	(4.01)	4.01
Class D	0.48	(1.09)
Class E	(1.92)	1.09
Class F	(3.45)	3.72
Class H	(1.96)	0.70
Class I	(2.13)	(2.26)
Class N	(1.69)	0.82
Class O	(1.69)	0.82

## Pender Alternative Special Situations Fund (formerly Pender Special Situations Fund)

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2022 and 2021

Class A	2022 (\$)	2021 (\$)
Balance, beginning of year	420,058	131,305
Increase (decrease) in net assets attributable to holders of redeemable units	(104,199)	43,752
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	245,701	245,001
Issued on reinvestment of distributions	3,533	32,070
Amounts paid on redemption of redeemable units	(251,657)	-
	<b>(2,423)</b>	<b>277,071</b>
<b>Distributions paid from:</b>		
Net investment income	(3,779)	(1,921)
Realized gains on sale of investments	-	(30,149)
Return of capital	-	-
	<b>(3,779)</b>	<b>(32,070)</b>
<b>Balance, end of year</b>	<b>309,657</b>	<b>420,058</b>
Class D	2022 (\$)	2021 (\$)
Balance, beginning of year	101,130	-
Increase (decrease) in net assets attributable to holders of redeemable units	3,508	(4,329)
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	5,000	115,459
Issued on reinvestment of distributions	-	7,723
Amounts paid on redemption of redeemable units	(109,638)	(10,000)
	<b>(104,638)</b>	<b>113,182</b>
<b>Distributions paid from:</b>		
Net investment income	-	(463)
Realized gains on sale of investments	-	(7,260)
Return of capital	-	-
	<b>-</b>	<b>(7,723)</b>
<b>Balance, end of year</b>	<b>-</b>	<b>101,130</b>
Class E	2022 (\$)	2021 (\$)
Balance, beginning of year	120,043	-
Increase (decrease) in net assets attributable to holders of redeemable units	(38,129)	6,400
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	107,444	113,643
Issued on reinvestment of distributions	2,171	9,168
Amounts paid on redemption of redeemable units	(4,567)	-
	<b>105,048</b>	<b>122,811</b>
<b>Distributions paid from:</b>		
Net investment income	(2,171)	(549)
Realized gains on sale of investments	-	(8,619)
Return of capital	-	-
	<b>(2,171)</b>	<b>(9,168)</b>
<b>Balance, end of year</b>	<b>184,791</b>	<b>120,043</b>

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

## Pender Alternative Special Situations Fund (formerly Pender Special Situations Fund)

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Years ended December 31, 2022 and 2021

Class F	2022 (\$)	2021 (\$)
Balance, beginning of year	354,001	131,308
Increase (decrease) in net assets attributable to holders of redeemable units	(73,420)	39,330
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	295,938	190,863
Issued on reinvestment of distributions	3,472	27,031
Amounts paid on redemption of redeemable units	(295,517)	(7,500)
	<b>3,893</b>	<b>210,394</b>
<b>Distributions paid from:</b>		
Net investment income	(3,472)	(1,619)
Realized gains on sale of investments	-	(25,412)
Return of capital	-	-
	<b>(3,472)</b>	<b>(27,031)</b>
<b>Balance, end of year</b>	<b>281,002</b>	<b>354,001</b>
Class H	2022 (\$)	2021 (\$)
Balance, beginning of year	469,799	-
Increase (decrease) in net assets attributable to holders of redeemable units	(146,291)	14,798
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	303,429	455,001
Issued on reinvestment of distributions	2,852	35,870
Amounts paid on redemption of redeemable units	(378,998)	-
	<b>(72,717)</b>	<b>490,871</b>
<b>Distributions paid from:</b>		
Net investment income	(2,852)	(2,149)
Realized gains on sale of investments	-	(33,721)
Return of capital	-	-
	<b>(2,852)</b>	<b>(35,870)</b>
<b>Balance, end of year</b>	<b>247,939</b>	<b>469,799</b>
Class I	2022 (\$)	2021 (\$)
Balance, beginning of year	383,721	-
Increase (decrease) in net assets attributable to holders of redeemable units	(109,784)	(23,078)
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	252,038	406,799
Issued on reinvestment of distributions	2,496	29,301
Amounts paid on redemption of redeemable units	(318,848)	-
	<b>(64,314)</b>	<b>436,100</b>
<b>Distributions paid from:</b>		
Net investment income	(2,496)	(1,755)
Realized gains on sale of investments	-	(27,546)
Return of capital	-	-
	<b>(2,496)</b>	<b>(29,301)</b>
<b>Balance, end of year</b>	<b>207,127</b>	<b>383,721</b>

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

## Pender Alternative Special Situations Fund (formerly Pender Special Situations Fund)

### Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (cont'd)

Years ended December 31, 2022 and 2021

Class N	2022 (\$)	2021 (\$)
Balance, beginning of year	5,411	-
Increase (decrease) in net assets attributable to holders of redeemable units	(916)	411
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	24	5,000
Issued on reinvestment of distributions	53	413
Amounts paid on redemption of redeemable units	-	-
	<b>77</b>	<b>5,413</b>
<b>Distributions paid from:</b>		
Net investment income	(53)	(25)
Realized gains on sale of investments	-	(388)
Return of capital	-	-
	<b>(53)</b>	<b>(413)</b>
<b>Balance, end of year</b>	<b>4,519</b>	<b>5,411</b>
Class O	2022 (\$)	2021 (\$)
Balance, beginning of year	5,411	-
Increase (decrease) in net assets attributable to holders of redeemable units	(916)	411
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	24	5,000
Issued on reinvestment of distributions	53	414
Amounts paid on redemption of redeemable units	-	-
	<b>77</b>	<b>5,414</b>
<b>Distributions paid from:</b>		
Net investment income	(53)	(25)
Realized gains on sale of investments	-	(389)
Return of capital	-	-
	<b>(53)</b>	<b>(414)</b>
<b>Balance, end of year</b>	<b>4,519</b>	<b>5,411</b>
Total Fund	2022 (\$)	2021 (\$)
Balance, beginning of year	1,859,574	262,613
Increase (decrease) in net assets attributable to holders of redeemable units	(470,147)	77,695
<b>Unit transactions:</b>		
Proceeds from issue of redeemable units	1,209,598	1,536,766
Issued on reinvestment of distributions	14,630	141,990
Amounts paid on redemption of redeemable units	(1,359,225)	(17,500)
	<b>(134,997)</b>	<b>1,661,256</b>
<b>Distributions paid from:</b>		
Net investment income	(14,876)	(8,506)
Realized gains on sale of investments	-	(133,484)
Return of capital	-	-
	<b>(14,876)</b>	<b>(141,990)</b>
<b>Balance, end of year</b>	<b>1,239,554</b>	<b>1,859,574</b>

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

## Pender Alternative Special Situations Fund (formerly Pender Special Situations Fund)

### Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022 (\$)	2021 (\$)
<b>Cash provided by (used in):</b>		
<b>Operating:</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	(470,147)	77,695
<b>Adjustments for:</b>		
Dividend income	(23,011)	(8,745)
Foreign exchange (gain) loss	(1,330)	(112)
Net realized (gain) loss on sale of investments	544,093	(136,788)
Net change in unrealized (appreciation) depreciation of investments	(57,484)	61,008
Accrued expenses	59	-
	<b>(7,820)</b>	<b>(6,942)</b>
Proceeds on disposal of investments	1,813,264	1,008,765
Amounts paid on purchase of investments	(2,337,803)	(2,503,837)
Dividends received	16,559	8,514
	<b>(515,800)</b>	<b>(1,493,500)</b>
<b>Financing:</b>		
Proceeds from issue of redeemable units	1,193,361	1,536,766
Amounts paid on redemption of redeemable units	(1,342,988)	(17,500)
Distributions paid to unitholders	(246)	-
	<b>(149,873)</b>	<b>1,519,266</b>
Net increase (decrease) in cash	(665,673)	25,766
Cash, beginning of year	32,738	6,860
Effect of exchange rate fluctuations on cash	1,330	112
<b>(Bank overdraft) Cash, end of year</b>	<b>(631,605)</b>	<b>32,738</b>

## Pender Alternative Special Situations Fund (formerly Pender Special Situations Fund)

### Schedule of Investment Portfolio

December 31, 2022

	Number of Shares	Cost (\$)	Fair Value (\$)
<b>Equities:</b>			
Banks (3.3%):			
Federal National Mortgage Association, Preferred, Series 'S', 8.25%	13,000	44,946	41,189
		<b>44,946</b>	<b>41,189</b>
Communication services (16.5%):			
Anterix Inc.	3,180	220,365	138,515
Shaw Communications Inc., Class 'B'	1,690	60,181	65,927
		<b>280,546</b>	<b>204,442</b>
Consumer discretionary (1.5%):			
ATD New Holdings Inc.	190	11,036	18,651
		<b>11,036</b>	<b>18,651</b>
Consumer staples (15.8%):			
GH Group, Inc., Preferred, Series 'C', 20.00%	120	163,842	162,480
Glass House Brands Inc.	13,100	52,369	33,878
		<b>216,211</b>	<b>196,358</b>
Diversified financials (20.9%):			
Burford Capital Limited	16,360	206,968	180,534
Partners Value Investments LP	1,200	84,430	78,000
		<b>291,398</b>	<b>258,534</b>
Energy (55.8%):			
ARC Resources Ltd.	3,720	39,063	67,890
Athabasca Oil Corporation	32,100	46,294	77,361
Gulfport Energy Corporation	500	46,597	49,854
MEG Energy Corp.	4,400	43,422	82,940
NexGen Energy Ltd.	11,300	78,605	67,687
Saturn Oil & Gas Inc.	66,320	182,380	155,852
Spartan Delta Corp.	12,710	67,397	190,016
		<b>503,758</b>	<b>691,600</b>
Health care (3.6%):			
Shockwave Medical, Inc.	160	32,848	44,543
		<b>32,848</b>	<b>44,543</b>
Industrials (8.5%):			
Harbor Diversified, Inc.	22,500	53,198	64,890
Maxar Technologies Inc.	580	20,895	40,600
		<b>74,093</b>	<b>105,490</b>
Information technology (10.7%):			
Magnachip Semiconductor Corporation	2,800	62,565	35,599
Thinkific Labs Inc.	51,877	127,583	97,529
		<b>190,148</b>	<b>133,128</b>
Utilities (11.7%):			
Altius Renewable Royalties Corp.	16,439	152,939	145,485
		<b>152,939</b>	<b>145,485</b>
<b>Total equities (148.3%)</b>		<b>1,797,923</b>	<b>1,839,420</b>



## Pender Alternative Special Situations Fund (formerly Pender Special Situations Fund)

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

December 31, 2022

		Number of Shares	Cost (\$)	Fair Value (\$)
<b>Warrants:</b>				
Glass House Brands Inc., strike price \$5.00, expiry 2027/08/31	USD	24,000	-	-
Saturn Oil & Gas Inc., strike price \$3.20, expiry 2023/07/07	CAD	33,160	-	5,886
Saturn Oil & Gas Inc., strike price \$4.00, expiry 2025/03/10	CAD	38,000	-	19,000
<b>Total warrants (2.0%)</b>			-	<b>24,886</b>
Less: Transaction costs included in cost of investments			(2,153)	
<b>Total investments (150.3%)</b>			<b>1,795,770</b>	<b>1,864,306</b>
Bank overdraft (-50.9%)				(631,605)
Other assets less liabilities (0.6%)				6,853
<b>Total net assets attributable to holders of redeemable units (100.0%)</b>				<b>1,239,554</b>

# PENDER ALTERNATIVE MUTUAL FUNDS

Year/Period ended December 31, 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, A (USD), E, F, F (USD), H, H (USD), I, I (USD), N, O
Alternative Arbitrage Fund	September 8, 2021	A, A (USD), E, F, F (USD), H, H (USD), I, I (USD), N, O
Alternative Arbitrage Plus Fund	September 1, 2022	A, A (USD), E, F, F (USD), H, H (USD), I, I (USD), N, O
Alternative Multi-Strategy Income Fund (formerly Value Fund II)	September 21, 2009	A, E, F, H, I, N, O
Alternative Special Situations Fund (formerly Special Situations Fund)	July 10, 2020	A, E, F, H, I, N, O

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. Effective April 22, 2022, Class D units of the Pender Alternative Special Situations Fund were closed. Effective June 24, 2022, Class A1 and F1 units of the Pender Alternative Multi-Strategy Income Fund were closed. The Funds continue to allow redemption, switch out and transfer out trades for those closed classes.

On September 1, 2022, Pender Value Fund II and Pender Special Situations Fund were each converted from a conventional mutual fund to an alternative mutual fund and were renamed Pender Alternative Multi-Strategy Income Fund and Pender Alternative Special Situations Fund, respectively.

Each of the Funds is an open-end investment trust 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).

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

The Manager and Trustee of the Funds is PenderFund Capital Management Ltd. CIBC Mellon Trust Company is the custodian of Pender Alternative Multi-Strategy Income Fund and The Bank of Nova Scotia is the custodian of the other Funds.

## 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 March 30, 2023.

### (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.

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

---

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.

### 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, bank overdraft, management and administration fees payable, payable for investments purchased, redemptions payable to holders of redeemable units, accrued expenses, distributions payable to holders of redeemable units, payable for interest and dividends on short securities, interest and borrow fees payable, and performance fees payable as amortized cost.

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

---

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.

(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)" and as "Net realized gain (loss)" 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 each have a policy of recognizing transfers in and out of the fair value hierarchy levels described in Note 10(a) 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 redemptions for cash, subject to available liquidity 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.

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

### (d) Securities lending transactions:

Prior to September 1, 2022, when the Pender Value Fund II was converted from a conventional mutual fund to an alternative mutual fund and was renamed Pender Alternative Multi-Strategy Income Fund, the Fund was permitted to enter into securities lending transactions as set out in the Fund's Simplified Prospectus. Securities lending transactions were administered by Canadian Imperial Bank of Commerce and The Bank of New York Mellon (collectively the "Securities Lending Agent"). The value of cash or securities held as collateral had to be at least 102% of the fair value of the securities loaned, sold or purchased. Income was earned from those transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from those transactions is included in the Statements of Comprehensive Income as securities lending income and was recognized when earned.

Note 5 summarizes the details of securities loaned and collateral received, and presents a reconciliation of the gross amount generated from securities lending to the securities lending income earned by the Pender Alternative Multi-Strategy Income Fund, prior to conversion to an alternative mutual fund. The other Funds do not engage in securities lending transactions.

### (e) 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.

### (f) 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.

### (g) 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 E and Class O units are negotiable and paid directly by the investors and not by the Funds. Effective September 1, 2022, Pender Value Fund II Fund was converted from a conventional mutual fund to an alternative mutual fund and was renamed Pender Alternative Multi-Strategy Income Fund and as a result, the management fees for the Fund were updated. The annual management fee percentages before applicable taxes such as GST or HST of the remaining classes as at December 31, 2022 and 2021 are as follows:

2022	Class A/A (USD) (%)	Class AF (%)	Class F/F (USD) (%)	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
Alternative Arbitrage Plus Fund*	1.80	-	0.80	-
Alternative Multi-Strategy Income Fund	1.80	-	0.80	-
Alternative Special Situations Fund*	1.95	-	0.95	-

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

2022 (cont'd)	Class H/H (USD) (%)	Class I/I (USD) (%)	Class N (%)
Alternative Absolute Return Fund*	1.50	0.65	0.30
Alternative Arbitrage Fund*	1.50	0.65	0.30
Alternative Arbitrage Plus Fund*	1.50	0.65	0.30
Alternative Multi-Strategy Income Fund	1.50	0.65	0.30
Alternative Special Situations Fund*	1.65	0.80	0.45

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

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 note 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 for example) 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.

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 December 31, 2022 and 2021, such that the MER before applicable taxes such as GST or HST for each class does not exceed the percentage of average NAV set out in the Fund's offering documents, as follows:

2022	Class A/A (USD) (%)	Class AF (%)	Class F/F (USD) (%)	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
Alternative Arbitrage Plus Fund	2.30	-	1.30	-
Alternative Multi-Strategy Income Fund	2.30	-	1.30	-
Alternative Special Situations Fund	2.45	-	1.45	-

2022 (cont'd)	Class H/H (USD) (%)	Class I/I (USD) (%)	Class N (%)
Alternative Absolute Return Fund	2.00	1.15	0.80
Alternative Arbitrage Fund	2.00	1.15	0.80
Alternative Arbitrage Plus Fund	2.00	1.15	0.80
Alternative Multi-Strategy Income Fund	2.00	1.15	0.80
Alternative Special Situations Fund	2.15	1.30	0.95

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

	Class A (%)	Class AF (%)	Class F (%)	Class FF (%)
2021				
Alternative Absolute Return Fund	2.30	1.65	1.30	0.65
Alternative Arbitrage Fund	2.30	1.65	1.30	0.65

  

	Class H (%)	Class I (%)	Class N (%)
2021 (cont'd)			
Alternative Absolute Return Fund	2.00	1.15	0.80
Alternative Arbitrage Fund	2.00	1.15	0.80

\*The Manager may, at its discretion, reduce or waive management fees and reimburse the Funds for any expenses. During the period from commencement of operations through to December 31, 2022, the Manager waived all management and administration fees and custody related transaction costs for the Pender Alternative Arbitrage Plus Fund and the Pender Alternative Special Situations Fund. During the period from January 1, 2022 through to January 31, 2022, the Manager waived all management and administration fees of \$27,672 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 \$28,565 for the Pender Alternative Arbitrage Fund. During the period from commencement of operations through to December 31, 2021, the Manager waived all management and administration fees and custody related transaction costs for the Pender Alternative Absolute Return Fund and 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 and Pender Alternative Arbitrage Plus 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. Effective as of September 1, 2022, for the Pender Alternative Multi-Strategy Income Fund and Pender Alternative Special Situations Fund, the performance fee is equal to 15% of the amount by which the total return of the class of units exceeds a 3% and 6% hurdle rate, respectively, 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). Performance fees are subject to applicable taxes such as GST or HST.

Performance fees are calculated and accrued daily and the accrued fees are 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 may, at its discretion, reduce or waive performance fees. During the period from January 1, 2022, through to March 31, 2022, the Manager waived all performance fees of \$36,386 for the Pender Alternative Arbitrage Fund. During the period from commencement of operations through to December 31, 2022, the Manager waived all performance fees for the Pender Alternative Arbitrage Plus Fund.

The high-water mark ("HWM") 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. Each of the Fund's HWM and the adjusted HWM, which reflects the distributions that were paid out to investors, including that of December 2022, are as follows:

PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

2022	Class A (\$)	Class A (USD) (\$)	Class AF (\$)	Class E (\$)
<b>Alternative Absolute Return Fund</b>				
HWM	9.89	9.85	10.03	9.92
Adjusted HWM	9.89	9.85	10.03	9.92
<b>Alternative Arbitrage Fund</b>				
HWM	10.14	9.74	10.49	9.73
Adjusted HWM	10.14	9.74	10.49	9.73
<b>Alternative Arbitrage Plus Fund</b>				
HWM	10.10	10.12	-	10.10
Adjusted HWM	10.10	10.12	-	10.10
<b>Alternative Multi-Strategy Income Fund</b>				
HWM	11.38	-	-	8.48
Adjusted HWM	11.38	-	-	8.48
<b>Alternative Special Situations Fund</b>				
HWM	16.27	-	-	8.68
Adjusted HWM	16.08	-	-	8.58

2022 (cont'd)	Class F (\$)	Class F (USD) (\$)	Class FF (\$)	Class H (\$)
<b>Alternative Absolute Return Fund</b>				
HWM	9.96	9.90	10.04	10.00
Adjusted HWM	9.96	9.90	10.04	10.00
<b>Alternative Arbitrage Fund</b>				
HWM	10.35	9.96	10.56	10.33
Adjusted HWM	10.35	9.96	10.56	10.33
<b>Alternative Arbitrage Plus Fund</b>				
HWM	10.11	10.12	-	10.11
Adjusted HWM	10.11	10.12	-	10.11
<b>Alternative Multi-Strategy Income Fund</b>				
HWM	12.30	-	-	10.00
Adjusted HWM	12.30	-	-	10.00
<b>Alternative Special Situations Fund</b>				
HWM	16.27	-	-	8.68
Adjusted HWM	16.08	-	-	8.58

2022 (cont'd)	Class H (USD) (\$)	Class I (\$)	Class I (USD) (\$)	Class N (\$)
<b>Alternative Absolute Return Fund</b>				
HWM	9.85	9.90	10.00	10.00
Adjusted HWM	9.85	9.90	10.00	10.00
<b>Alternative Arbitrage Fund</b>				
HWM	9.74	10.32	9.74	10.50
Adjusted HWM	9.74	10.32	9.74	10.50
<b>Alternative Arbitrage Plus Fund</b>				
HWM	10.12	10.18	10.12	10.11
Adjusted HWM	10.12	10.18	10.12	10.11
<b>Alternative Multi-Strategy Income Fund</b>				
HWM	-	8.32	-	8.40
Adjusted HWM	-	8.32	-	8.40
<b>Alternative Special Situations Fund</b>				
HWM	-	8.68	-	8.68
Adjusted HWM	-	8.58	-	8.58



## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

As at December 31, 2022, the Pender Alternative Absolute Return Fund and the Pender Alternative Arbitrage Fund had accrued a crystallized performance fee of \$70,558 and \$13,919, respectively, due to redemptions during the period.

As at December 31, 2022 and 2021, the Funds incurred the following performance fees. None of the remaining Funds incurred performance fees as at the year end dates.

	2022 (\$)	2021 (\$)
Alternative Absolute Return Fund	1,565,615	-
Alternative Arbitrage Fund	173,608	42,580
Alternative Arbitrage Plus Fund	15,780	-

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 December 31, 2022 and 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:

	2022 (\$)	2021 (\$)
Alternative Absolute Return Fund	576,713	-
Alternative Arbitrage Fund	42,914	-
Alternative Multi-Strategy Income Fund	10,571	25,743

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 December 31, 2022 and 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.

	2022 (%)	2021 (%)
Alternative Absolute Return Fund	<1	1
Alternative Arbitrage Fund	1	2
Alternative Arbitrage Plus Fund	<1	-
Alternative Multi-Strategy Income Fund	<1	<1
Alternative Special Situations Fund	18	22

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

### 5. Securities lending transactions:

For the year ended December 31, 2022 none of the Funds had any securities loaned, collateral received or securities lending income earned for the year.

The Pender Alternative Multi-Strategy Income Fund did not have any securities loaned or collateral received as at December 31, 2021. The following table presents a reconciliation of the gross amount generated from securities lending transactions to the securities lending income earned for the year ended December 31, 2021 for the Pender Alternative Multi-Strategy Income Fund. The remaining Funds did not have any securities lending income earned for the year ended December 31, 2021.

2021	Gross income (\$)	Withholding taxes (\$)	Agent fees (\$)	Net income (\$)
Alternative Multi-Strategy Income Fund	1,892	(211)	(672)	1,009

Agent fees were paid to the Securities Lending Agent and represented 35% of the gross securities lending income net of withholding taxes.

### 6. 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 year, withholding tax rates were between 0% and 35% (2021 - between 0% and 35%).

### 7. 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 years ended December 31, 2022 and 2021 were as follows:

2022	Outstanding units, beginning of period	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of period
<b>Alternative Absolute Return Fund:</b>					
Class A	512	490,256	7,335	(118,826)	379,277
Class AF	265,312	639,685	28,147	(49,092)	884,052
Class A (USD)	-	500	30	-	530
Class E	-	16,538	801	(510)	16,829
Class F	512	2,877,850	28,023	(1,110,528)	1,795,857
Class FF	3,265,237	4,807,542	367,533	(910,243)	7,530,069
Class F (USD)	-	7,598	354	-	7,952
Class H	512	468,867	6,287	(97,619)	378,047
Class H (USD)	-	500	31	-	531
Class I	13,156	5,825,167	139,388	(678,917)	5,298,794
Class I (USD)	-	95,664	27	(24,961)	70,730
Class N	512	24,875	1,574	-	26,961
Class O	528,823	371,952	42,321	(553,618)	389,478

PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

2022	Outstanding units, beginning of period	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of period
<b>Alternative Arbitrage Fund:</b>					
Class A	501	19,084	285	(10,887)	8,983
Class AF	174,926	68,734	1,029	(1,492)	243,197
Class A (USD)	-	500	19	-	519
Class E	-	10,163	369	(1,943)	8,589
Class F	501	304,301	3,311	(58,889)	249,224
Class FF	972,836	705,303	5,752	(263,172)	1,420,719
Class F (USD)	-	999	8	(500)	507
Class H	501	15,263	267	-	16,031
Class H (USD)	-	500	19	-	519
Class I	501	117,410	2,535	(593)	119,853
Class I (USD)	-	500	21	-	521
Class N	501	-	5	-	506
Class O	16,528	536,916	7,784	(78,605)	482,623
<b>Alternative Arbitrage Plus Fund:</b>					
Class A	-	6,082	11	(500)	5,593
Class A (USD)	-	500	1	-	501
Class E	-	6,813	13	(500)	6,326
Class F	-	100,194	184	(500)	99,878
Class F (USD)	-	5,635	10	(500)	5,145
Class H	-	500	1	-	501
Class H (USD)	-	500	1	-	501
Class I	-	365,271	731	(500)	365,502
Class I (USD)	-	500	1	-	501
Class N	-	500	1	-	501
Class O	-	209,417	410	(109,238)	100,589
<b>Alternative Multi-Strategy Income Fund:</b>					
Class A	441,165	11,536	-	(167,540)	285,161
Class A1	24,636	301	-	(24,937)	-
Class E	500	-	-	-	500
Class F	214,509	39,294	-	(96,008)	157,795
Class F1	94,567	35,821	-	(130,388)	-
Class H	-	500	-	-	500
Class I	184,759	12,072	-	(121,736)	75,095
Class N	500	-	-	-	500
Class O	108,089	-	-	(107,589)	500
<b>Alternative Special Situations Fund:</b>					
Class A	22,408	13,253	228	(15,867)	20,022
Class D	10,117	513	-	(10,630)	-
Class E	12,009	10,664	263	(541)	22,395
Class F	18,885	16,655	225	(17,593)	18,172
Class H	46,998	29,842	346	(47,140)	30,046
Class I	38,387	24,810	303	(38,387)	25,113
Class N	541	-	-	7	548
Class O	541	-	-	7	548

PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

2021	Outstanding units, beginning of period	Units issued	Units issued on reinvestment of distributions	Units redeemed	Outstanding units, end of period
<b>Alternative Absolute Return Fund:</b>					
Class A	-	500	12	-	512
Class AF	-	262,481	2,831	-	265,312
Class F	-	500	12	-	512
Class FF	-	3,263,239	15,307	(13,309)	3,265,237
Class H	-	500	12	-	512
Class I	-	12,992	164	-	13,156
Class N	-	500	12	-	512
Class O	-	516,500	12,323	-	528,823
<b>Alternative Arbitrage Fund:</b>					
Class A	-	500	1	-	501
Class AF	-	176,658	266	(1,998)	174,926
Class F	-	8,429	1	(7,929)	501
Class FF	-	971,608	1,228	-	972,836
Class H	-	500	1	-	501
Class I	-	500	1	-	501
Class N	-	500	1	-	501
Class O	-	16,500	28	-	16,528
<b>Alternative Multi-Strategy Income Fund:</b>					
Class A	684,695	775	-	(244,305)	441,165
Class A1	17,447	12,308	-	(5,119)	24,636
Class E	500	-	-	-	500
Class F	411,761	1,923	-	(199,175)	214,509
Class F1	164,502	122,855	-	(192,790)	94,567
Class I	175,090	168,423	-	(158,754)	184,759
Class N	500	-	-	-	500
Class O	108,089	-	-	-	108,089
<b>Alternative Special Situations Fund:</b>					
Class A	8,870	11,827	1,711	-	22,408
Class D	-	10,261	773	(917)	10,117
Class E	-	11,092	917	-	12,009
Class F	8,870	8,941	1,442	(368)	18,885
Class H	-	43,410	3,588	-	46,998
Class I	-	35,456	2,931	-	38,387
Class N	-	500	41	-	541
Class O	-	500	41	-	541

**8. 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. Each Fund's 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.

**9. 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.

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

---

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 Arbitrage Plus Fund**

The objective of the Pender Alternative Arbitrage Plus Fund is to produce consistent and low volatility absolute returns by investing primarily in merger arbitrage opportunities.

### **Pender Alternative Multi-Strategy Income Fund**

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

### **Pender Alternative Special Situations Fund**

The objective of the Pender Alternative Special Situations Fund is to achieve long-term capital appreciation by investing primarily in Canadian and US equities with the ability to also invest in debt and other securities. The Fund seeks to identify investment opportunities that are believed to represent special situations.

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 Pender Alternative Multi-Strategy Income Fund carries out part of its investment strategy by investing in Class O units of the Pender Alternative Absolute Return Fund, Pender Alternative Arbitrage Fund, Pender Alternative Arbitrage Plus Fund and Pender Corporate Bond Fund. The Pender Alternative Multi-Strategy Income Fund has indirect exposure to various financial risks through its holdings of underlying mutual funds. The financial risks associated with the Pender Alternative Multi-Strategy Income Fund's investment strategy are disclosed based on its direct holdings. 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.

The economic uncertainties around persistent inflation pressure, bank failures, geopolitical events and the lingering COVID-19 pandemic have the potential to slow growth in the global economy. Future developments in these challenging areas could impact the Funds' results and financial condition and the full extent of that impact remains unknown.

As at December 31, 2022, the Funds had exposure to the banking sector. Subsequent to year-end, the Funds continue to have exposure to this sector. In certain cases, government agencies have assumed control or otherwise intervened in the operations of certain banks due to liquidity and solvency concerns. The extent of the situation remains uncertain and as such the Manager continues to assess across the broader financial sector and will take potential actions, as deemed necessary. The ultimate resolution of these liquidity and solvency concerns and the extent of the related impact to the Funds is uncertain and could be significant.

#### (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 portfolio holdings of the Fund, and positions are maintained within established ranges.

The following table summarizes the maximum exposure to credit risk for the Pender Alternative Absolute Return Fund as at December 31, 2022 and 2021, categorized by credit ratings. The remaining Funds did not have exposure to any significant credit risk.

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

	2022 (\$)	2021 (\$)
<b>Long positions:</b>		
A	4,644,230	-
BBB	34,649,435	1,954,291
Below BBB	162,777,940	41,363,796
Unrated	-	1,259,201
	<b>202,071,605</b>	<b>44,577,288</b>
<b>Short positions:</b>		
AAA	(30,946,389)	(6,609,876)
Below BBB	(25,430,920)	(812,318)
	<b>(56,377,309)</b>	<b>(7,422,194)</b>
	<b>145,694,296</b>	<b>37,155,094</b>

### (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 Pender Alternative Absolute Return Fund, Pender Alternative Arbitrage Fund and Pender Alternative Arbitrage Plus Fund as at December 31, 2022 and 2021 that were due within three months of the financial reporting date. The amounts are gross and undiscounted. None of the remaining Funds held derivative instruments as at the year end dates.

	2022 (\$)		2021 (\$)	
	Nominal value (\$)	Unrealized gain (loss) (\$)	Nominal value (\$)	Unrealized gain (loss) (\$)
Derivative instruments inflows (outflows)				
Alternative Absolute Return Fund:	95,116,287	196,940	31,022,725	309,100
Alternative Arbitrage Fund:	25,489,667	40,949	8,642,568	71,774
Alternative Arbitrage Plus Fund:	5,452,708	10,361	-	-

### (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.

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

The following table summarizes the exposure to interest rate risk for the Pender Alternative Absolute Return Fund as at December 31, 2022 and 2021, categorized by the earlier of contractual re-pricing or maturity dates. None of the remaining Funds had exposure to interest rate risk as at the year end dates.

	2022 (\$)	2021 (\$)
<b>Long position:</b>		
Less than 1 year	14,397,705	-
1 to 3 years	8,493,367	1,560,307
3 to 5 years	44,739,396	22,788,848
More than 5 years	134,441,137	20,228,133
	<b>202,071,605</b>	<b>44,577,288</b>
<b>Short position:</b>		
More than 5 years	(56,377,309)	(7,422,194)
	<b>(56,377,309)</b>	<b>(7,422,194)</b>
	<b>145,694,296</b>	<b>37,155,094</b>

As at December 31, 2022 and 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 \$6,791,928 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.

### (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 portfolio holdings of the Fund on a daily basis and positions are maintained within established ranges.

The Funds, with the exception of the Pender Alternative Multi-Strategy Income Fund and Pender Alternative Special Situations Fund, enter into certain forward foreign currency contracts to mitigate their foreign currency exposure for all classes.

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

	Canadian dollar (\$)	US dollar (\$)	Australian dollar (\$)	Euro (\$)	British pound (\$)	Total (\$)
2022						
Alternative Absolute Return Fund	153,893,097	13,858,716	-	-	-	167,751,813
Alternative Arbitrage Fund	26,591,019	260,832	-	-	-	26,851,851
Alternative Arbitrage Plus Fund	5,842,713	127,547	-	-	-	5,970,260
Alternative Multi-Strategy Income Fund	5,914,424	-	-	-	3	5,914,427
Alternative Special Situations Fund	543,617	695,937	-	-	-	1,239,554

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

2021	Canadian dollar (\$)	US dollar (\$)	Australian dollar (\$)	Euro (\$)	British pound (\$)	Total (\$)
Alternative Absolute Return Fund	40,483,481	262,925	-	-	-	40,746,406
Alternative Arbitrage Fund	11,976,224	(90,872)	-	-	-	11,885,352
Alternative Multi-Strategy Income Fund	6,118,004	8,773,907	-	613,877	294,754	15,800,542
Alternative Special Situations Fund	1,201,960	657,614	-	-	-	1,859,574

As at December 31, 2022 and 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:

	2022 (\$)	2021 (\$)
Alternative Absolute Return Fund	1,385,872	26,293
Alternative Arbitrage Fund	26,083	(9,087)
Alternative Arbitrage Plus Fund	12,755	-
Alternative Multi-Strategy Income Fund	-	968,254
Alternative Special Situations Fund	69,594	65,761

### (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 portfolio holdings 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 December 31, 2022, by providing the market sector breakdown of investments, as applicable. Potential losses from securities sold short can be unlimited.

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

	2022 (\$)	2021 (\$)
<b>Long position</b>		
Alternative Absolute Return Fund	3,331,179	498,074
Alternative Arbitrage Fund	22,774,995	9,273,907
Alternative Arbitrage Plus Fund	7,114,099	-
Alternative Multi-Strategy Income Fund	5,871,151	15,744,912
Alternative Special Situations Fund	1,864,306	1,831,675
<b>Short position</b>		
Alternative Absolute Return Fund	(40,898,917)	(4,481,024)
Alternative Arbitrage Fund	(1,255,169)	(1,727,107)
Alternative Arbitrage Plus Fund	(283,090)	-

As at December 31, 2022 and 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:



## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

	2022 (\$)	2021 (\$)
Alternative Absolute Return Fund	(9,966)	(140,139)
Alternative Arbitrage Fund	1,384,417	404,102
Alternative Arbitrage Plus Fund	497,139	-
Alternative Multi-Strategy Income Fund	127,703	1,814,133
Alternative Special Situations Fund	220,978	177,891

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 Pender Alternative Multi-Strategy Income Fund was not exposed to leverage risk as at the year end date. The following table summarizes for the remaining Funds the lowest and highest aggregate gross exposure of the Funds' net asset value during year ended December 31, 2022, and from commencement of operations to December 31, 2021:

2022	Lowest aggregate (%)	Highest aggregate (%)
Alternative Absolute Return Fund	29.3	72.8
Alternative Arbitrage Fund	4.5	21.3
Alternative Arbitrage Plus Fund	-	92.4
Alternative Special Situations Fund	-	51.5

  

2021	Lowest aggregate (%)	Highest aggregate (%)
Alternative Absolute Return Fund	-	46.3
Alternative Arbitrage Fund	-	22.9

The primary sources 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.

## 10. 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.

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

- 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 December 31, 2022 and 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.

2022	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Alternative Absolute Return Fund:</b>				
Bonds and loans - Long	202,071,605	-	-	202,071,605
Equities - Long	3,331,179	-	-	3,331,179
Bonds and loans - Short	(56,377,309)	-	-	(56,377,309)
Exchange-traded funds - Short	(38,664,513)	-	-	(38,664,513)
Equities - Short	(2,234,404)	-	-	(2,234,404)
Forward foreign currency contracts	-	196,940	-	196,940
	<b>108,126,558</b>	<b>196,940</b>	-	<b>108,323,498</b>
<b>Alternative Arbitrage Fund:</b>				
Equities - Long	22,739,152	-	-	22,739,152
Equities - Short	(1,255,169)	-	-	(1,255,169)
Forward foreign currency contracts	-	40,949	-	40,949
Warrants	-	35,843	-	35,843
	<b>21,483,983</b>	<b>76,792</b>	-	<b>21,560,775</b>
<b>Alternative Arbitrage Plus Fund:</b>				
Equities - Long	7,114,099	-	-	7,114,099
Equities - Short	(283,090)	-	-	(283,090)
Forward foreign currency contracts	-	10,361	-	10,361
	<b>6,831,009</b>	<b>10,361</b>	-	<b>6,841,370</b>
<b>Alternative Multi-Strategy Income Fund:</b>				
Equities	-	-	1,803	1,803
Mutual funds	5,869,348	-	-	5,869,348
	<b>5,869,348</b>	-	<b>1,803</b>	<b>5,871,151</b>

PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

2022	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Alternative Special Situations Fund:</b>				
Equities	1,676,940	-	162,480	1,839,420
Warrants	24,886	-	-	24,886
	<b>1,701,826</b>	<b>-</b>	<b>162,480</b>	<b>1,864,306</b>
<hr/>				
2021	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Alternative Absolute Return Fund:</b>				
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
	<b>33,172,144</b>	<b>309,100</b>	<b>-</b>	<b>33,481,244</b>
<hr/>				
<b>Alternative Arbitrage Fund:</b>				
Equities - Long	9,273,907	-	-	9,273,907
Equities - Short	(1,727,107)	-	-	(1,727,107)
Forward foreign currency contracts	-	71,774	-	71,774
	<b>7,546,800</b>	<b>71,774</b>	<b>-</b>	<b>7,618,574</b>
<hr/>				
<b>Alternative Multi-Strategy Income Fund:</b>				
Equities	15,373,303	-	1,803	15,375,106
Mutual funds	336,533	-	-	336,533
Warrants	33,265	-	8	33,273
	<b>15,743,101</b>	<b>-</b>	<b>1,811</b>	<b>15,744,912</b>
<hr/>				
<b>Alternative Special Situations Fund:</b>				
Equities	1,831,675	-	-	1,831,675
	<b>1,831,675</b>	<b>-</b>	<b>-</b>	<b>1,831,675</b>

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 years/periods ended December 31, 2022 and 2021.

The following table shows a reconciliation of the movement in fair value of all financial instruments categorized within Level 3 for the years ended December 31, 2022 and 2021 for Pender Alternative Multi-Strategy Income Fund. The remaining Funds did not hold any financial instruments categorized with Level 3.

	2022 (\$)	2021 (\$)
<b>Alternative Multi-Strategy Income Fund:</b>		
Opening balance	1,811	613,908
Sales of investments	-	(316,800)
Net transfers in (out)	-	(203,400)
Total gain (loss) recognized in comprehensive income	-	(275,000)
Change in unrealized appreciation (depreciation)	(8)	183,103
<b>Ending Balance</b>	<b>1,803</b>	<b>1,811</b>
<hr/>		
<b>Alternative Special Situations Fund:</b>		
Opening balance	-	-
Purchase of investments	162,480	-
<b>Ending Balance</b>	<b>162,480</b>	<b>-</b>

PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

(b) Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorized as Level 3 in the fair value hierarchy, as at December 31, 2022 and 2021, for the Pender Alternative Multi-Strategy Income Fund and as at December 31, 2022 for the Pender Alternative Special Situations Fund. The remaining Funds did not hold financial instruments categorized as Level 3 in the fair value hierarchy exposure as at the year end dates.

2022	Fair Value (\$)	Valuation technique	Unobservable input	Sensitivity to change in significant unobservable input
<b>Alternative Multi-Strategy Income Fund:</b>				
Unlisted private investments	1,803	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
<b>Alternative Special Situations Fund:</b>				
Unlisted private investments	162,480	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased
<hr/>				
2021	Fair Value (\$)	Valuation technique	Unobservable input	Sensitivity to change in significant unobservable input
<b>Alternative Multi-Strategy Income Fund:</b>				
Unlisted private investments	1,811	Investment cost/enterprise value	Enterprise value	The estimated fair value would increase if enterprise value increased

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

Enterprise value represents the estimate of the amount that market participants would pay when purchasing the investee company. The Manager determines this value using valuation techniques such as the use of comparable recent arm's length transactions in shares of the respective company and net present value calculated using discount rates derived from comparable market yields, for example.

(c) Effects of unobservable input on fair value measurement:

The Pender Alternative Multi-Strategy Income Fund and the Pender Special Situations Fund believe that their estimates of fair value are appropriate, however the use of different methodologies or assumptions could lead to different measurements of fair value. Changing one or more of the assumptions used for fair value measurements in Level 3 to alternative reasonably possible assumptions would have the following effects on the net assets attributable to holders of redeemable units as at December 31, 2022 and 2021. The remaining Funds did not have any financial instruments categorized with Level 3 as at the year end dates.

Entity	2022	2021
<b>Alternative Multi-Strategy Income Fund:</b>		
Favourable	180	181
Unfavourable	(180)	(182)
<b>Alternative Special Situations Fund:</b>		
Favourable	16,248	-
Unfavourable	(16,248)	-

The favourable and unfavourable effects of using alternative reasonably possible assumptions for the valuation of unlisted private equity investments have been calculated by recalibrating the model values using unobservable inputs based on averages of the upper and lower quartiles, respectively of the above noted Funds' ranges of possible estimates. The recalibrated model considers the impact of a 10% increase or decrease in enterprise value, a 1% increase or decrease in the discount rate, a 0.25x increase or decrease in market capitalization and a 10% increase or decrease on loan recoverability. Actual results may differ from this sensitivity analysis and the difference could be material.

(d) 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.

The following table summarizes the exposure to short positions for the Pender Alternative Absolute Return Fund, Pender Alternative Arbitrage Fund and Pender Alternative Arbitrage Plus Fund as at December 31, 2022 and 2021. None of the remaining Funds had exposure to short positions as at the year end dates.

	2022 (\$)	2021 (\$)
Alternative Absolute Return Fund	(97,276,226)	(11,903,218)
Alternative Arbitrage Fund	(1,255,169)	(1,727,107)
Alternative Arbitrage Plus Fund	(283,090)	-

### 11. Involvement with structured entities:

The table below describes the type of structured entities in which the Pender Alternative Multi-Strategy Income Fund hold an interest but which they do not consolidate. The remaining Funds did not hold an interest in structured entities as at December 31, 2022 and 2021.

Entity	Nature and purpose	Interest held by the respective fund
Investment funds	To manage assets on behalf of third-party investors and generate fees for the investment manager. These vehicles are financed through the issue of units to investors	Investment in units issued by the underlying funds

## PENDER ALTERNATIVE MUTUAL FUNDS (cont'd)

Year/Period ended December 31, 2022

The table below sets out interests held by the Pender Alternative Multi-Strategy Income Fund in unconsolidated structured entities as at December 31, 2022 and 2021. The maximum exposure to loss is the carrying amount of the investment in the underlying funds held.

	Number of investee funds held	Total net assets of investee funds (\$)	Carrying amount included in investments (\$)
<b>Alternative Multi-Strategy Income Fund:</b>			
2022	4	1,622,751,926	5,869,348
2021	1	40,746,406	336,533

During the years ended December 31, 2022 and 2021, the Pender Alternative Multi-Strategy Fund did not provide financial support to unconsolidated structured entities and have no intention of providing financial or other support. The Pender Alternative Multi-Strategy Fund can sell or redeem their units in the above investment funds at any time.

### 12. Income taxes

The taxation year-end of the Pender Alternative Arbitrage Plus Fund is December 31 and for the remaining Funds is December 15. As at the end of their 2022 and/or 2021 tax year-ends, the following Funds had accumulated capital losses available for utilization against realized capital gains in future years. Capital losses have no expiry date.

	2022 (\$)	2021 (\$)
Alternative Absolute Return Fund	-	318,063
Alternative Arbitrage Fund	-	50,673
Alternative Arbitrage Plus Fund	31,386	-
Alternative Multi-Strategy Income Fund	73,310,042	70,013,016
Alternative Special Situations Fund	542,069	-

As at the end of the tax year-end, the following Fund had accumulated non-capital losses available for carry forward.

	2022 (\$)	2021 (\$)
Alternative Multi-Strategy Income Fund	1,972,311	1,974,971

The non-capital losses for the Pender Alternative Multi-Strategy Income Fund will expire in 2038. The remaining Funds had no accumulated capital losses or non-capital losses as at the end of the 2022 and 2021 tax year-end.



**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](http://www.penderfund.com)