



# Pender Alternative Multi-Strategy Income Fund

Six months ended June 30, 2023

## Semi-Annual Management Report of Fund Performance

This interim Management Report of Fund Performance contains financial highlights but does not contain either the interim financial statements or annual financial statements of the investment fund. You may obtain a copy of the interim financial statements or annual financial statements at your request, at no cost, by calling toll-free 1-866-377-4743, by writing to us at 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by visiting our website at [www.penderfund.com](http://www.penderfund.com) or the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca).

You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

# Pender Alternative Multi-Strategy Income Fund

Six months ended June 30, 2023

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## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Results of Operations

The net assets of the Pender Alternative Multi-Strategy Income Fund (the "Fund") were \$4,757,273 as at June 30, 2023 versus \$5,914,427 as at December 31, 2022. Of this \$1,157,154 decrease, \$83,692 is attributable to positive investment performance and \$1,240,846 is attributable to net unitholder redemptions of Fund units.

Because the Fund has been in operation with its new objectives and strategies for less than one year, past performance data is not available for disclosure.

The following comments under "Recent Developments" reflect the views of the portfolio management team and are based on information as at the end of June 30, 2023. Please read the caution regarding forward-looking statements located on the last page of this document.

### Recent Developments

The Fund transitioned from a traditional mutual fund to a liquid alternative mutual fund in September 2022, with allocations to high yield, absolute return and merger arbitrage strategies.

We believe these strategies position the portfolio well to navigate an uncertain environment, capturing higher absolute yield in high yield and merger arbitrage as well as the ability to hedge interest rate and market risk. The portfolio ended June 2023 with 33.2% invested in the Pender Corporate Bond Fund, 33.0% invested in the Pender Alternative Absolute Return Fund, 17.2% invested in the Pender Alternative Arbitrage Plus Fund and 16.2% invested in the Pender Alternative Arbitrage Fund.

The market backdrop was constructive in the six months ended June 30, 2023 (the "period") as inflation, interest rates and slowing economic growth remained in focus and closely watched by investors. Bond markets were mixed as the yield curve backed up as expectations of interest rate cuts were pushed out in the face of a slowing but a so far resilient economic backdrop. Inflation continued its downward trajectory with the US inflation rate moving to 3.0% at the end of June after peaking at 9.1% in June 2022. The closely watched core inflation rate declined to 4.8% and has remained sticky. The declining inflation rates allowed the Federal Reserve ("Fed") to pause their interest rate hiking campaign at their last meeting in June to assess the impact of higher rates on the broad economy. The labour market was a source of continued strength, with the US unemployment rate hovering around 3.7% - very low levels and within range of the 3.4% low back in early the 1970's.

Almost all Federal Open Market Committee ("FOMC") participants voted to keep interest rates unchanged in June, but still some preferred raising another 25bps. With inflation still above their stated 2% goal and a resilient labour market, almost all members saw the need to raise rates again this year. At the European Central Bank ("ECB") Forum on Central Banking at the end of June, the Fed's Chair Jerome Powell spoke of the need for more restrictive interest rate policy and the need to raise rates again this year. While we believe we are near the end of this rate tightening cycle, we likely have not yet seen the peak.

From a geographic perspective, the portfolio is primarily exposed to companies based in North America. We believe the underlying strategies within the portfolio provide a diversified exposure that will deliver a combination of income and capital gains while delivering to the objective of the Fund.

The underlying strategies within the portfolio allow the Fund to short securities. This would include hedging against rising interest rates or a widening of credit spreads for example. The Fund also has exposure to merger arbitrage strategies, where shorting allows the Fund to capture the deal spread when stock is offered as part of the announced merger acquisition. This allows the Fund to capture the merger arbitrage spread while hedging out market volatility.

Investment results may be affected by future developments and new information that may emerge about inflation and the impact of central bank measures and geopolitical and other global events, factors that are beyond the Fund's control.

# Pender Alternative Multi-Strategy Income Fund

Six months ended June 30, 2023

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## Related Party Transactions

The Fund pays management and administration fees to the Manager for management and portfolio advisory services (see "Management Fees"). The Fund also pays the Manager performance fees (see "Performance Fees").

As at the end of the period, parties related to the Manager collectively held less than 1% of the Fund's units.

As part of the Fund's investment strategy, the Fund invests 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, funds that are also managed by the Manager. The Fund does not pay any duplicate management fees on its investment in these funds.

## Management Fees

The Fund pays management and administration fees calculated as a percentage of the net asset value of each respective class. The Management Expense Ratio ("MER") before applicable taxes such as GST or HST for each class does not exceed certain levels as set out in the Fund's offering documents. The fees are calculated at the close of business on each valuation day and are paid monthly. In exchange for the administration fee, the Manager pays the operating costs of the Fund.

Management fees are used by the Manager, in part, to pay sales commissions, trailer fees, marketing costs and other associated distribution costs relating to the sale of units of the Fund.

Such expenses represented approximately 22% of the management fees paid by the Fund to the Manager for the period.

## Performance Fees

The Manager is also entitled to a performance fee plus applicable taxes such as GST or HST on all classes of units of the Fund. For Class O units, this fee is or will be charged directly to Unitholders, as applicable. 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, provided that the total return of the relevant class of units for such period exceeds the previous high-water mark. The high-water mark is the net asset value of the applicable class of units to which it applies as at the most recent determination date on which a performance fee was payable. Performance fees will be calculated and accrued daily, and such accrued fees will be payable by the Fund at the end of each year. The Manager has reserved the right to change the period for which any performance fee may be paid by a Fund. The Manager, at its discretion, may reduce or waive performance fees.

# Pender Alternative Multi-Strategy Income Fund

Six months ended June 30, 2023

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period and the calendar years indicated.

### Fund's Net Assets Per Unit (a)

	2023 (\$)	2022 (\$)	2021 (\$)	2020 (\$)	2019 (\$)	2018 (\$)
<b>Class A</b>						
Net Assets, beginning of period	11.53	16.26	16.57	14.22	16.77	27.54
<b>Increase (decrease) from operations:</b>						
Total revenue	0.28	0.26	0.22	0.22	0.29	0.20
Total expenses	(0.15)	(0.34)	(0.48)	(0.28)	(0.58)	(0.66)
Realized gains (losses)	0.03	(4.33)	2.99	(2.17)	(11.17)	(1.39)
Unrealized gains (losses)	-	(0.77)	(2.41)	3.16	8.58	(9.32)
<b>Total increase (decrease) from operations (b)</b>	<b>0.16</b>	<b>(5.18)</b>	<b>0.32</b>	<b>0.93</b>	<b>(2.88)</b>	<b>(11.17)</b>
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total distributions (b), (c)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period</b>	<b>11.68</b>	<b>11.53</b>	<b>16.26</b>	<b>16.57</b>	<b>14.22</b>	<b>16.77</b>
<b>Class E</b>						
Net Assets, beginning of period	8.65	11.95	11.94	10.00	10.00	
<b>Increase (decrease) from operations:</b>						
Total revenue	0.14	0.21	0.16	0.15	-	
Total expenses	(0.02)	(0.06)	(0.09)	(0.02)	-	
Realized gains (losses)	0.02	(3.44)	2.07	(1.24)	-	
Unrealized gains (losses)	(0.02)	(0.01)	(2.12)	3.05	-	
<b>Total increase (decrease) from operations (b)</b>	<b>0.12</b>	<b>(3.30)</b>	<b>0.02</b>	<b>1.94</b>	<b>-</b>	
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	
From dividends	-	-	-	-	-	
From capital gains	-	-	-	-	-	
Return of capital	-	-	-	-	-	
<b>Total distributions (b), (c)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net Assets, end of period</b>	<b>-</b>	<b>8.65</b>	<b>11.95</b>	<b>11.94</b>	<b>10.00</b>	

## Pender Alternative Multi-Strategy Income Fund

Six months ended June 30, 2023

### Fund's Net Assets Per Unit (a) (cont'd)

	2023 (\$)	2022 (\$)	2021 (\$)	2020 (\$)	2019 (\$)	2018 (\$)
<b>Class F</b>						
Net Assets, beginning of period	12.50	17.44	17.58	14.95	17.44	28.32
<b>Increase (decrease) from operations:</b>						
Total revenue	0.31	0.29	0.24	0.23	0.36	0.21
Total expenses	(0.11)	(0.22)	(0.31)	(0.16)	(0.42)	(0.71)
Realized gains (losses)	0.03	(5.14)	3.36	(2.54)	(10.41)	(1.43)
Unrealized gains (losses)	-	(0.06)	(2.12)	3.19	7.18	(9.89)
<b>Total increase (decrease) from operations (b)</b>	<b>0.23</b>	<b>(5.13)</b>	<b>1.17</b>	<b>0.72</b>	<b>(3.29)</b>	<b>(11.51)</b>
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total distributions (b), (c)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period</b>	<b>12.72</b>	<b>12.50</b>	<b>17.44</b>	<b>17.58</b>	<b>14.95</b>	<b>17.44</b>
<b>Class H</b>						
Net Assets, beginning of period (a)	10.15	10.00				
<b>Increase (decrease) from operations:</b>						
Total revenue	0.16	0.18				
Total expenses	(0.09)	(0.09)				
Realized gains (losses)	0.02	0.03				
Unrealized gains (losses)	(0.03)	0.02				
<b>Total increase (decrease) from operations (b)</b>	<b>0.06</b>	<b>0.14</b>				
<b>Distributions:</b>						
From income (excluding dividends)	-	-				
From dividends	-	-				
From capital gains	-	-				
Return of capital	-	-				
<b>Total distributions (b), (c)</b>	<b>-</b>	<b>-</b>				
<b>Net Assets, end of period</b>	<b>-</b>	<b>10.15</b>				
<b>Class I</b>						
Net Assets, beginning of period	8.46	11.78	11.86	10.00	10.00	
<b>Increase (decrease) from operations:</b>						
Total revenue	0.21	0.17	0.16	0.15	-	
Total expenses	(0.07)	(0.13)	(0.19)	(0.09)	-	
Realized gains (losses)	0.02	(2.79)	1.93	(1.60)	-	
Unrealized gains (losses)	0.01	(1.28)	(2.63)	2.51	-	
<b>Total increase (decrease) from operations (b)</b>	<b>0.17</b>	<b>(4.03)</b>	<b>(0.73)</b>	<b>0.97</b>	<b>-</b>	
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	
From dividends	-	-	-	-	-	
From capital gains	-	-	-	-	-	
Return of capital	-	-	-	-	-	
<b>Total distributions (b), (c)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net Assets, end of period</b>	<b>8.62</b>	<b>8.46</b>	<b>11.78</b>	<b>11.86</b>	<b>10.00</b>	

## Pender Alternative Multi-Strategy Income Fund

Six months ended June 30, 2023

### Fund's Net Assets Per Unit (a) (cont'd)

	2023 (\$)	2022 (\$)	2021 (\$)	2020 (\$)	2019 (\$)	2018 (\$)
<b>Class N</b>						
Net Assets, beginning of period	8.56	11.86	11.89	10.00	10.00	
<b>Increase (decrease) from operations:</b>						
Total revenue	0.14	0.21	0.15	0.15	-	
Total expenses	(0.03)	(0.09)	(0.14)	(0.06)	-	
Realized gains (losses)	0.02	(3.41)	2.06	(1.24)	-	
Unrealized gains (losses)	(0.02)	(0.01)	(2.11)	3.03	-	
<b>Total increase (decrease) from operations (b)</b>	<b>0.11</b>	<b>(3.30)</b>	<b>(0.04)</b>	<b>1.88</b>	<b>-</b>	
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	
From dividends	-	-	-	-	-	
From capital gains	-	-	-	-	-	
Return of capital	-	-	-	-	-	
<b>Total distributions (b), (c)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net Assets, end of period</b>	<b>-</b>	<b>8.56</b>	<b>11.86</b>	<b>11.89</b>	<b>10.00</b>	
<b>Class O</b>						
Net Assets, beginning of period	8.78	12.07	12.00	10.00	10.00	
<b>Increase (decrease) from operations:</b>						
Total revenue	0.22	0.08	0.16	0.15	-	
Total expenses	0.01	-	(0.02)	0.03	-	
Realized gains (losses)	0.02	(0.80)	2.08	(1.41)	-	
Unrealized gains (losses)	(0.01)	(4.92)	(2.14)	4.37	-	
<b>Total increase (decrease) from operations (b)</b>	<b>0.24</b>	<b>(5.64)</b>	<b>0.08</b>	<b>3.14</b>	<b>-</b>	
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	
From dividends	-	-	-	-	-	
From capital gains	-	-	-	-	-	
Return of capital	-	-	-	-	-	
<b>Total distributions (b), (c)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net Assets, end of period</b>	<b>9.01</b>	<b>8.78</b>	<b>12.07</b>	<b>12.00</b>	<b>10.00</b>	

a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under International Financial Reporting Standards. Effective September 1, 2022, the Fund's investment objectives and strategies were changed to reflect its conversion from a conventional mutual fund into an alternative mutual fund and in connection therewith, among other things, the name, fund type, risk level and fee structure of the Fund also changed. Class H commenced operations on September 1, 2022. Class E, Class H and Class N were closed on May 26, 2023.

(b) Net assets per unit and distributions per unit are based on the actual number of units for the relevant Fund class outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding during the period.

(c) Distributions were paid in cash and/or reinvested in additional units of the Fund.

## Pender Alternative Multi-Strategy Income Fund

Six months ended June 30, 2023

### Ratios and Supplemental Data

	2023	2022	2021	2020	2019	2018
<b>Class A</b>						
Total net asset value (\$000s) (a)	2,554	3,288	7,173	11,344	16,941	49,409
Number of units outstanding (a)	218,627	285,161	441,165	684,695	1,190,982	2,945,589
Management expense ratio before performance fee (b)	2.56%					
Management expense ratio (b)	2.56%	2.55%	2.47%	2.40%	2.77%	2.39%
Management expense ratio before absorptions (c)	2.56%	2.55%	2.47%	2.40%	2.77%	2.39%
Trading expense ratio (d)	0.05%	0.14%	0.16%	0.19%	0.69%	0.16%
Portfolio turnover rate (e)	2.04%	79.88%	66.22%	86.43%	103.02%	34.40%
Net asset value per unit (\$) (a)	11.68	11.53	16.26	16.57	14.22	16.77
<b>Class F</b>						
Total net asset value (\$000s) (a)	1,779	1,973	3,741	7,239	11,795	93,993
Number of units outstanding (a)	139,871	157,795	214,509	411,761	789,185	5,390,462
Management expense ratio before performance fee (b)	1.47%					
Management expense ratio (b)	1.64%	1.48%	1.43%	1.40%	1.70%	1.30%
Management expense ratio before absorptions (c)	1.64%	1.48%	1.43%	1.40%	1.70%	1.30%
Trading expense ratio (d)	0.05%	0.14%	0.16%	0.19%	0.69%	0.16%
Portfolio turnover rate (e)	2.04%	79.88%	66.22%	86.43%	103.02%	34.40%
Net asset value per unit (\$) (a)	12.72	12.50	17.44	17.58	14.95	17.44
<b>Class I</b>						
Total net asset value (\$000s) (a)	420	636	2,177	2,077	50	
Number of units outstanding (a)	48,709	75,095	184,759	175,090	500	
Management expense ratio before performance fee (b)	1.29%					
Management expense ratio (b)	1.49%	1.28%	1.26%	1.25%	0.00%	
Management expense ratio before absorptions (c)	1.49%	1.28%	1.26%	1.25%	0.00%	
Trading expense ratio (d)	0.05%	0.14%	0.16%	0.19%	0.69%	
Portfolio turnover rate (e)	2.04%	79.88%	66.22%	86.43%	103.02%	
Net asset value per unit (\$) (a)	8.62	8.46	11.78	11.86	10.00	

## Pender Alternative Multi-Strategy Income Fund

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### Ratios and Supplemental Data (cont'd)

	2023	2022	2021	2020	2019	2018
<b>Class O</b>						
Total net asset value (\$000s) (a)	5	4	1,304	1,297	5	
Number of units outstanding (a)	500	500	108,089	108,089	500	
Management expense ratio before performance fee (b)	0.00%					
Management expense ratio (b)	0.00%	0.00%	0.00%	0.00%	0.00%	
Management expense ratio before absorptions (c)	0.00%	0.00%	0.00%	0.00%	0.00%	
Trading expense ratio (d)	0.05%	0.14%	0.16%	0.19%	0.69%	
Portfolio turnover rate (e)	2.04%	79.88%	66.22%	86.43%	103.02%	
Net asset value per unit (\$) (a)	9.01	8.78	12.07	12.00	10.00	

(a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under International Financial Reporting Standards. Effective September 1, 2022, the Fund's investment objectives and strategies were changed to reflect its conversion from a conventional mutual fund into an alternative mutual fund and in connection therewith, among other things, the name, fund type, risk level and fee structure of the Fund also changed. Class E, Class H and Class N were closed on May 26, 2023.

(b) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the period and is expressed as an annualized percentage of daily average net asset value during the period. The MER may vary from one class of units to another because of differences in the applicable management fees and certain fees and expenses may have been absorbed by the Manager which would otherwise be paid by the Fund. Management expense ratio before performance fee is the MER before any performance fees, if applicable, for the stated period.

(c) The Manager of the Fund has agreed to absorb sufficient expenses of the Fund, as necessary, so that the annual MER before applicable taxes such as GST or HST will not exceed certain limits as outlined in the Fund's Simplified Prospectus. The amount of expenses absorbed is at the discretion of the Manager as set out in the Fund's Simplified Prospectus, and the Manager may in its sole discretion cease to absorb expenses.

(d) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(e) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. In general, the higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

### Past Performance

The past performance for the Fund is not available for disclosure because it underwent a performance reset following its conversion from a conventional mutual fund to an alternative mutual fund on September 1, 2022.



# Pender Alternative Multi-Strategy Income Fund

Six months ended June 30, 2023

## Summary of Investment Portfolio

The largest holdings of the Fund as at the end of the period and the major asset classes in which the Fund was invested are indicated below. Where the Fund has less than 25 holdings, the table will show the Fund's entire investment portfolio. The investment portfolio may change due to ongoing portfolio transactions. An update of the Fund's summary of investment portfolio as at the end of each calendar quarter is available from the Manager. Please see the front page of this document for information about how this can be obtained.

### Top 25 Holdings

	% of Net Assets
Pender Corporate Bond Fund, Class 'O'	33.2
Pender Alternative Absolute Return Fund, Class 'O'	33.0
Pender Alternative Arbitrage Plus Fund, Class 'O'	17.2
Pender Alternative Arbitrage Fund, Class 'O'	16.2
BuildDirect.com Technologies Inc., strike price \$6.90, expiry 2023/08/13	0.0
Greenspace Brands Inc., Restricted, strike price \$0.09, expiry 2023/09/28	0.0
Red Eagle Mining Corporation	0.0
SECURE Energy Services Inc.	0.0

### Composition of the Portfolio

	% of Net Assets
<b>Mutual funds</b>	
Pender Corporate Bond Fund, Class 'O'	33.2
Pender Alternative Absolute Return Fund, Class 'O'	33.0
Pender Alternative Arbitrage Plus Fund, Class 'O'	17.2
Pender Alternative Arbitrage Fund, Class 'O'	16.2
<b>Total mutual funds</b>	<b>99.6</b>
Equities	0.0
Warrants	0.0
<b>Total investments</b>	<b>99.6</b>
Cash	0.2
Other assets less liabilities	0.2
<b>Total net assets</b>	<b>100.0</b>

## Pender Alternative Multi-Strategy Income Fund

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### **Caution Regarding Forward-Looking Statements**

This report contains forward-looking statements about the Fund, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies or prospects, and possible future Fund action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Fund and economic factors, among other things.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these digressions, including, but not limited to: geopolitical events, general economic, political and market factors in North America and internationally; including the collapse of banks; interest and foreign exchange rates and the measures taken by central banks to manage inflation; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings; pandemics and catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, except as may be required under applicable law, the Manager has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.



**Pender Alternative Multi-Strategy Income Fund**

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