

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

Annual Management Report of Fund Performance

This annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the 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 or the SEDAR+ website at 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 Absolute Return Fund

For the year ended December 31, 2023

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The objective of the Pender Alternative Absolute Return Fund (the “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 invests primarily in a portfolio of North American fixed income securities but may also invest in foreign and other securities.

PenderFund Capital Management Ltd. (“Pender”) is the Manager and Portfolio Advisor of the Fund.

Risks

The risks of investing in the Fund are outlined in the Simplified Prospectus dated June 27, 2023. There were no significant changes to the Fund’s objectives and strategies that affected its overall level of risk during the year.

The nature of the Fund’s investing activities exposes it to various risks, including but not limited to inflation and the impact of central bank measures on the economy, the state of M&A markets, geopolitical and other global events, factors that are beyond the Fund’s control.

Future developments in these challenging areas could impact the Fund’s results and financial condition and the full extent of that impact remains unknown. Developing reliable estimates and applying judgment continue to be substantially complex. Actual results may differ from those estimates and assumptions.

Results of Operations

The net assets of the Fund were \$418,704,789 as at December 31, 2023 versus \$167,751,813 as at December 31, 2022. Of this \$250,952,976 increase, \$20,093,823 is attributable to positive investment performance and \$230,859,153 is attributable to net unitholder purchases of Fund units.

For the year ended December 31, 2023, Class A units of the Fund generated a total return of 6.6%. Returns for all other classes of the Fund will be similar to Class A with any difference in performance being primarily due to the different management fees that are applicable to different classes. Returns for Class A (USD), Class F (USD), Class H (USD) and Class I (USD) will differ from Class A primarily due to foreign currency as these classes are denominated in US dollars whereas all remaining classes of the Fund are denominated in Canadian dollars. Please see the “Past Performance” section for the performance of the Fund’s other classes.

The Fund’s benchmark, HFRI Credit Index (USD), was up by 8.0% during the year. In accordance with National Instrument 81-106, we have included a comparison to this benchmark to help you understand the Fund’s performance relative to the general performance of the market, but we caution that the Fund’s mandate may be significantly different from the index. Further, the Fund’s returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund’s benchmark, which are based on the performance of an index that does not pay fees or incur expenses.

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

The Fund’s underperformance as compared to its benchmark was mainly due to its defensive positioning in an effort to protect against a swift move lower for risk assets, while maintaining enough positive carry to earn positive returns if the markets continue to move higher. Both market and individual security valuations will drive portfolio positioning. While attractive individual positions can be identified in any market environment, the overall balance of risks and returns will guide the portfolio construction process.

Key positive individual contributors to the Fund’s performance during the year included XHR LP, Cable One Inc., and Parkland Corporation. Conversely, hedges in the SPDR S&P 500 ETF Trust, Invesco QQQ Trust, and SPDR Bloomberg High Yield Bond ETF were among the largest detractors.

To achieve the Fund’s objective of maximizing absolute returns with low volatility, the Fund uses fundamental research to identify what we see as attractive risk adjusted return opportunities in individual investments within a diversified portfolio. We invest primarily in North American fixed income and credit securities as well as other instruments. We use short selling with the intention of both generating absolute returns and hedging unwanted market risk, or in situations where we believe securities have unattractive fundamental characteristics.

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

Recent Developments

Interest rate policy from the US Federal Reserve was squarely in focus during the period, with commentary signaling the end of their interest rate hiking campaign and underscoring the market narrative of an upcoming pivot to interest rate cuts in 2024. This underpinned a rally across virtually all asset classes, highlighted by the Federal Open Market Committee (“FOMC”) meeting on December 13 which was the best FOMC meeting day for all assets in almost 15 years. With the sharp rally, equity indices pushed higher to fresh 52-week highs near the end of the year. The bond market also took its cues from the Fed and digested these shifting expectations with the US 10-year Treasury yields at 3.9% at the end of the year with credit spreads continuing to tighten. The ICE BofA BB US High Yield Index finished the year with an Option Adjusted Spread (OAS) of 205bp, which is below the lowest level reached in the 2021 market rally, and within 20bp of the lowest spreads of the past 16 years.

The Fund finished December with long positions of 159.9% (excluding cash), with 78.1% of these positions in our Current Income strategy, 81.9% in Relative Value and 0.0% in Event Driven positions. The Fund had a -65.3% short exposure that included -11.1% in government bonds, -38.6% in credit and -15.6% in equities. The Option Adjusted Duration was 0.6 years. Excluding positions that trade at spreads of more than 500bps and positions that trade to call or maturity dates that are 2026 and earlier, Option Adjusted Duration declined to 0.2 years. The Fund’s current yield was 3.2% while yield to maturity was 6.6%.

Independent Review Committee (“IRC”) Appointments & Resignations

Effective March 31, 2023, Kerry Ho ceased to be the Chair of the IRC and Leslie Wood became Chair of the IRC.

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 year, parties related to the Manager collectively held less than 1% of the Fund’s units. In addition, the Pender Strategic Growth and Income Fund (formerly Pender Enhanced Income Fund) and Pender Alternative Multi-Strategy Income Fund, funds also managed by the Manager, collectively held 1% of the Fund’s outstanding units.

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 21% of the management fees paid by the Fund to the Manager for the year.

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 year 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 year 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 year for which any performance fee may be paid by a Fund. The Manager, at its discretion, may reduce or waive performance fees.

Pender Alternative Absolute Return Fund

For the year ended December 31, 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 calendar years indicated.

Fund's Net Assets Per Unit (a)

	2023 (\$)	2022 (\$)	2021 (\$)
Class A			
Net Assets, beginning of year	9.89	9.99	10.00
Increase (decrease) from operations:			
Total revenue	0.61	0.69	0.48
Total expenses	(0.41)	(0.47)	(0.01)
Realized gains (losses)	0.54	0.40	(0.28)
Unrealized gains (losses)	(0.17)	0.13	0.03
Total increase (decrease) from operations (b)	0.57	0.75	0.22
Distributions:			
From income (excluding dividends)	(0.38)	(0.32)	(0.24)
From dividends	-	-	-
From capital gains	(0.45)	(0.33)	-
Return of capital	-	-	-
Total distributions (b), (c)	(0.83)	(0.65)	(0.24)
Net Assets, end of year	9.70	9.89	9.99
Class AF			
Net Assets, beginning of year	10.03	9.99	10.00
Increase (decrease) from operations:			
Total revenue	0.63	0.54	0.07
Total expenses	(0.30)	(0.32)	-
Realized gains (losses)	0.55	0.23	(0.01)
Unrealized gains (losses)	(0.14)	0.12	0.13
Total increase (decrease) from operations (b)	0.74	0.57	0.19
Distributions:			
From income (excluding dividends)	(0.55)	(0.45)	(0.23)
From dividends	-	-	-
From capital gains	(0.37)	(0.14)	-
Return of capital	-	-	-
Total distributions (b), (c)	(0.92)	(0.59)	(0.23)
Net Assets, end of year	9.85	10.03	9.99

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

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

	2023 (\$)	2022 (\$)	2021 (\$)
Class E			
Net Assets, beginning of year (a)	9.92	10.00	
Increase (decrease) from operations:			
Total revenue	0.56	0.38	
Total expenses	(0.43)	(0.07)	
Realized gains (losses)	0.46	0.21	
Unrealized gains (losses)	0.03	(0.03)	
Total increase (decrease) from operations (b)	0.62	0.49	
Distributions:			
From income (excluding dividends)	(0.24)	(0.18)	
From dividends	-	-	
From capital gains	(0.82)	(0.40)	
Return of capital	-	-	
Total distributions (b), (c)	(1.06)	(0.58)	
Net Assets, end of year	9.68	9.92	
Class F			
Net Assets, beginning of year	9.96	9.99	10.00
Increase (decrease) from operations:			
Total revenue	0.62	0.57	0.47
Total expenses	(0.31)	(0.42)	(0.01)
Realized gains (losses)	0.57	0.35	(0.28)
Unrealized gains (losses)	(0.20)	0.27	0.04
Total increase (decrease) from operations (b)	0.68	0.77	0.22
Distributions:			
From income (excluding dividends)	(0.51)	(0.40)	(0.24)
From dividends	-	-	-
From capital gains	(0.44)	(0.24)	-
Return of capital	-	-	-
Total distributions (b), (c)	(0.95)	(0.64)	(0.24)
Net Assets, end of year	9.74	9.96	9.99
Class FF			
Net Assets, beginning of year	10.04	10.00	10.00
Increase (decrease) from operations:			
Total revenue	0.63	0.53	0.07
Total expenses	(0.21)	(0.24)	-
Realized gains (losses)	0.55	0.22	(0.01)
Unrealized gains (losses)	(0.14)	0.15	0.14
Total increase (decrease) from operations (b)	0.83	0.66	0.20
Distributions:			
From income (excluding dividends)	(0.64)	(0.52)	(0.22)
From dividends	-	-	-
From capital gains	(0.38)	(0.14)	-
Return of capital	-	-	-
Total distributions (b), (c)	(1.02)	(0.66)	(0.22)
Net Assets, end of year	9.85	10.04	10.00

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

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

	2023 (\$)	2022 (\$)	2021 (\$)
Class H			
Net Assets, beginning of year	10.00	9.99	10.00
Increase (decrease) from operations:			
Total revenue	0.61	0.52	0.47
Total expenses	(0.37)	(0.48)	(0.01)
Realized gains (losses)	0.55	0.21	(0.28)
Unrealized gains (losses)	(0.18)	0.23	0.04
Total increase (decrease) from operations (b)	0.61	0.48	0.22
Distributions:			
From income (excluding dividends)	(0.41)	(0.38)	(0.24)
From dividends	-	-	-
From capital gains	(0.46)	(0.20)	-
Return of capital	-	-	-
Total distributions (b), (c)	(0.87)	(0.58)	(0.24)
Net Assets, end of year	9.80	10.00	9.99
Class I			
Net Assets, beginning of year	9.90	9.99	10.00
Increase (decrease) from operations:			
Total revenue	0.60	0.69	(0.01)
Total expenses	(0.32)	(0.41)	-
Realized gains (losses)	0.51	0.41	0.02
Unrealized gains (losses)	(0.15)	0.18	0.15
Total increase (decrease) from operations (b)	0.64	0.87	0.16
Distributions:			
From income (excluding dividends)	(0.44)	(0.37)	(0.24)
From dividends	-	-	-
From capital gains	(0.52)	(0.36)	-
Return of capital	-	-	-
Total distributions (b), (c)	(0.96)	(0.73)	(0.24)
Net Assets, end of year	9.68	9.90	9.99
Class N			
Net Assets, beginning of year	10.00	9.99	10.00
Increase (decrease) from operations:			
Total revenue	0.58	0.52	0.47
Total expenses	(0.43)	(0.28)	(0.01)
Realized gains (losses)	0.78	0.28	(0.28)
Unrealized gains (losses)	(0.35)	0.20	0.04
Total increase (decrease) from operations (b)	0.58	0.72	0.22
Distributions:			
From income (excluding dividends)	(0.31)	(0.51)	(0.24)
From dividends	-	-	-
From capital gains	(0.69)	(0.18)	-
Return of capital	-	-	-
Total distributions (b), (c)	(1.00)	(0.69)	(0.24)
Net Assets, end of year	9.80	10.00	9.99

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

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

	2023 (\$)	2022 (\$)	2021 (\$)
Class O			
Net Assets, beginning of year	10.19	9.99	10.00
Increase (decrease) from operations:			
Total revenue	0.65	0.31	0.48
Total expenses	(0.05)	(0.06)	(0.01)
Realized gains (losses)	0.56	0.17	(0.29)
Unrealized gains (losses)	(0.14)	0.43	0.04
Total increase (decrease) from operations (b)	1.02	0.85	0.22
Distributions:			
From income (excluding dividends)	(0.85)	(0.68)	(0.24)
From dividends	-	-	-
From capital gains	(0.32)	-	-
Return of capital	-	-	-
Total distributions (b), (c)	(1.17)	(0.68)	(0.24)
Net Assets, end of year	10.03	10.19	9.99
Class A (USD)			
Net Assets, beginning of year (a)	13.33	13.20	
Increase (decrease) from operations:			
Total revenue	0.75	0.60	
Total expenses	(0.94)	(0.18)	
Realized gains (losses)	0.75	0.20	
Unrealized gains (losses)	(1.10)	0.35	
Total increase (decrease) from operations (b)	(0.54)	0.97	
Distributions:			
From income (excluding dividends)	(0.14)	(0.23)	
From dividends	-	-	
From capital gains	(1.03)	(0.58)	
Return of capital	-	-	
Total distributions (b), (c)	(1.17)	(0.81)	
Net Assets, end of year	12.86	13.33	
Class F (USD)			
Net Assets, beginning of year (a)	13.40	13.20	
Increase (decrease) from operations:			
Total revenue	0.82	0.54	
Total expenses	(0.40)	(0.18)	
Realized gains (losses)	0.98	0.29	
Unrealized gains (losses)	(0.53)	(0.06)	
Total increase (decrease) from operations (b)	0.87	0.59	
Distributions:			
From income (excluding dividends)	(0.82)	(0.06)	
From dividends	-	-	
From capital gains	(0.69)	(0.22)	
Return of capital	-	-	
Total distributions (b), (c)	(1.51)	(0.28)	
Net Assets, end of year	12.68	13.40	

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

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

	2023 (\$)	2022 (\$)	2021 (\$)
Class H (USD)			
Net Assets, beginning of year (a)	13.33	13.20	
Increase (decrease) from operations:			
Total revenue	0.67	0.60	
Total expenses	(0.97)	(0.17)	
Realized gains (losses)	0.07	0.20	
Unrealized gains (losses)	(1.87)	0.35	
Total increase (decrease) from operations (b)	(2.10)	0.98	
Distributions:			
From income (excluding dividends)	(0.12)	(0.24)	
From dividends	-	-	
From capital gains	(1.06)	(0.58)	
Return of capital	-	-	
Total distributions (b), (c)	(1.18)	(0.82)	
Net Assets, end of year	12.88	13.33	
Class I (USD)			
Net Assets, beginning of year (a)	13.54	13.20	
Increase (decrease) from operations:			
Total revenue	0.82	0.30	
Total expenses	(0.47)	(0.50)	
Realized gains (losses)	0.85	0.18	
Unrealized gains (losses)	(0.46)	0.24	
Total increase (decrease) from operations (b)	0.74	0.22	
Distributions:			
From income (excluding dividends)	(0.60)	(0.28)	
From dividends	-	-	
From capital gains	(0.85)	(0.42)	
Return of capital	-	-	
Total distributions (b), (c)	(1.45)	(0.70)	
Net Assets, end of year	12.90	13.54	

(a) This information is derived from the Fund's audited annual financial statements as at December 31 for the year stated, prepared under IFRS Accounting Standards.

(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 year.

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

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

Ratios and Supplemental Data

	2023	2022	2021
Class A			
Total net asset value (\$000s) (a)	12,157	3,751	5
Number of units outstanding (a)	1,253,692	379,277	512
Management expense ratio before performance fee (b)	2.54%	2.42%	0.00%
Management expense ratio (b)	3.67%	4.04%	0.00%
Management expense ratio before absorptions (c)	3.67%	4.04%	2.46%
Trading expense ratio (d)	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	9.70	9.89	9.99
Class AF			
Total net asset value (\$000s) (a)	8,699	8,865	2,651
Number of units outstanding (a)	882,806	884,052	265,312
Management expense ratio before performance fee (b)	1.75%	1.76%	0.00%
Management expense ratio (b)	2.54%	2.67%	0.00%
Management expense ratio before absorptions (c)	2.54%	2.67%	1.75%
Trading expense ratio (d)	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	9.85	10.03	9.99
Class E			
Total net asset value (\$000s) (a)	2,370	167	
Number of units outstanding (a)	244,889	16,829	
Management expense ratio before performance fee (b)	0.53%	0.54%	
Management expense ratio (b)	3.94%	1.42%	
Management expense ratio before absorptions (c)	3.94%	1.43%	
Trading expense ratio (d)	0.45%	0.63%	
Portfolio turnover rate (e)	251.99%	186.73%	
Net asset value per unit (\$) (a)	9.68	9.92	
Class F			
Total net asset value (\$000s) (a)	56,834	17,889	5
Number of units outstanding (a)	5,836,592	1,795,857	512
Management expense ratio before performance fee (b)	1.42%	1.37%	0.00%
Management expense ratio (b)	2.61%	3.57%	0.00%
Management expense ratio before absorptions (c)	2.61%	3.57%	1.38%
Trading expense ratio (d)	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	9.74	9.96	9.99
Class FF			
Total net asset value (\$000s) (a)	73,805	75,547	32,660
Number of units outstanding (a)	7,493,720	7,530,069	3,265,237
Management expense ratio before performance fee (b)	0.70%	0.71%	0.00%
Management expense ratio (b)	1.65%	1.78%	0.00%
Management expense ratio before absorptions (c)	1.65%	1.79%	0.70%
Trading expense ratio (d)	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	9.85	10.04	10.00

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

Ratios and Supplemental Data (cont'd)

	2023	2022	2021
Class H			
Total net asset value (\$000s) (a)	9,405	3,778	5
Number of units outstanding (a)	960,154	378,047	512
Management expense ratio before performance fee (b)	2.17%	2.10%	0.00%
Management expense ratio (b)	3.25%	4.18%	0.00%
Management expense ratio before absorptions (c)	3.25%	4.18%	2.10%
Trading expense ratio (d)	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	9.80	10.00	9.99
Class I			
Total net asset value (\$000s) (a)	234,011	52,440	131
Number of units outstanding (a)	24,179,105	5,298,794	13,156
Management expense ratio before performance fee (b)	1.22%	1.21%	0.00%
Management expense ratio (b)	2.74%	3.45%	0.00%
Management expense ratio before absorptions (c)	2.74%	3.46%	1.22%
Trading expense ratio (d)	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	9.68	9.90	9.99
Class N			
Total net asset value (\$000s) (a)	4,796	270	5
Number of units outstanding (a)	489,296	26,961	512
Management expense ratio before performance fee (b)	0.84%	0.84%	0.00%
Management expense ratio (b)	3.77%	2.13%	0.00%
Management expense ratio before absorptions (c)	3.77%	2.13%	0.88%
Trading expense ratio (d)	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	9.80	10.00	9.99
Class O			
Total net asset value (\$000s) (a)	3,757	3,966	5,283
Number of units outstanding (a)	374,488	389,478	528,823
Management expense ratio before performance fee (b)	0.00%	0.00%	0.00%
Management expense ratio (b)	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	0.00%	0.00%	0.00%
Trading expense ratio (d)	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	10.03	10.19	9.99
Class A (USD)			
Total net asset value (\$000s) (a)	555	7	
Number of units outstanding (a)	43,160	530	
Management expense ratio before performance fee (b)	2.42%	2.43%	
Management expense ratio (b)	6.57%	3.22%	
Management expense ratio before absorptions (c)	6.57%	3.22%	
Trading expense ratio (d)	0.45%	0.63%	
Portfolio turnover rate (e)	251.99%	186.73%	
Net asset value per unit (\$) (a)	12.86	13.33	

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

Ratios and Supplemental Data (cont'd)

	2023	2022	2021
Class F (USD)			
Total net asset value (\$000s) (a)	1,269	107	
Number of units outstanding (a)	100,052	7,952	
Management expense ratio before performance fee (b)	1.37%	1.38%	
Management expense ratio (b)	2.49%	3.34%	
Management expense ratio before absorptions (c)	2.49%	3.36%	
Trading expense ratio (d)	0.45%	0.63%	
Portfolio turnover rate (e)	251.99%	186.73%	
Net asset value per unit (\$) (a)	12.68	13.40	
Class H (USD)			
Total net asset value (\$000s) (a)	536	7	
Number of units outstanding (a)	41,603	531	
Management expense ratio before performance fee (b)	2.10%	2.12%	
Management expense ratio (b)	6.88%	2.96%	
Management expense ratio before absorptions (c)	6.88%	2.96%	
Trading expense ratio (d)	0.45%	0.63%	
Portfolio turnover rate (e)	251.99%	186.73%	
Net asset value per unit (\$) (a)	12.88	13.33	
Class I (USD)			
Total net asset value (\$000s) (a)	10,512	957	
Number of units outstanding (a)	814,592	70,730	
Management expense ratio before performance fee (b)	1.21%	1.22%	
Management expense ratio (b)	2.97%	10.44%	
Management expense ratio before absorptions (c)	2.97%	10.45%	
Trading expense ratio (d)	0.45%	0.63%	
Portfolio turnover rate (e)	251.99%	186.73%	
Net asset value per unit (\$) (a)	12.90	13.54	

(a) This information is derived from the Fund's audited annual financial statements as at December 31 for the year stated, prepared under IFRS Accounting Standards.

(b) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the year and is expressed as an annualized percentage of daily average net asset value during the year. 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 year.

(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 year.

(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 year. In general, the higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

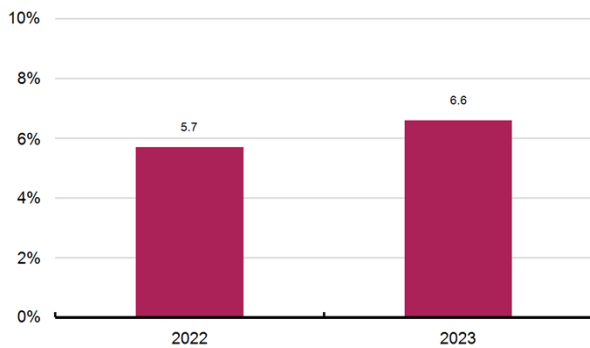
Past Performance

The following charts show the past performance for the units of each class of the Fund and do not necessarily indicate how the Fund will perform in the future. The information shown assumes that any distributions made by the Fund were reinvested in additional units of the Fund. Returns would be different if an investor did not reinvest distributions. In addition, the information does not take into account sales, redemptions, income taxes payable or other charges that would have reduced returns or performance.

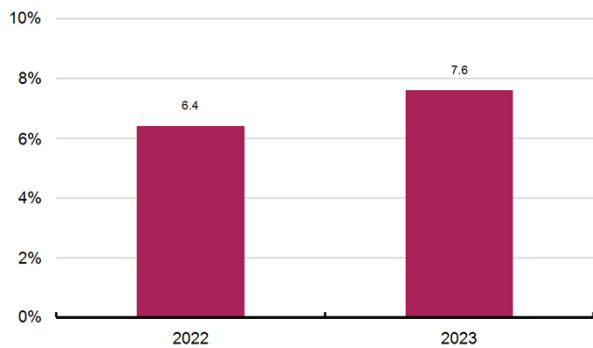
Year-by-Year Returns

To illustrate how the Fund's performance has varied over time, the following bar charts show the Fund's annual returns for the calendar years indicated. The information is presented starting from the first full financial year of the respective Fund class. In percentage terms, the bar charts show how much an investment held on the first day of the year would have increased or decreased by the last day of the year.

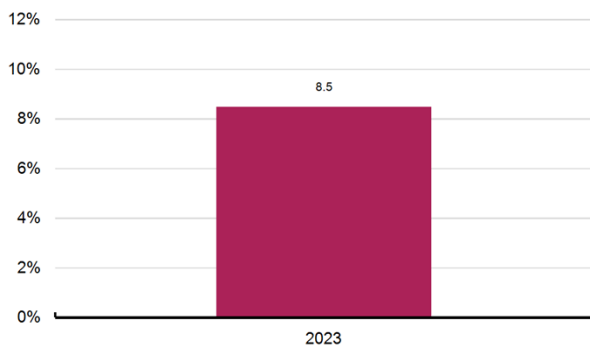
Class A



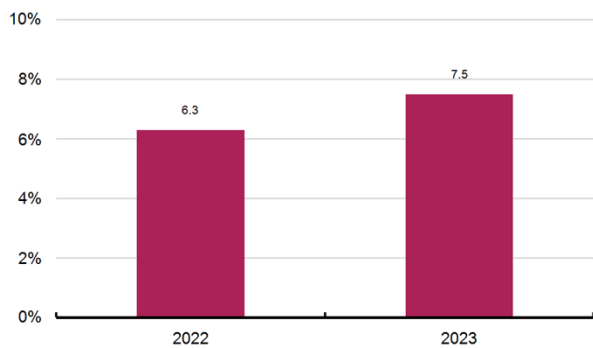
Class AF



Class E



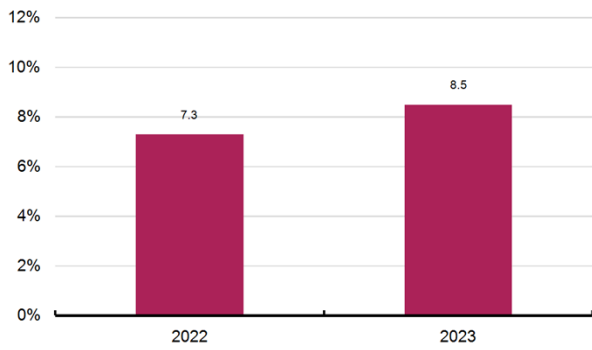
Class F



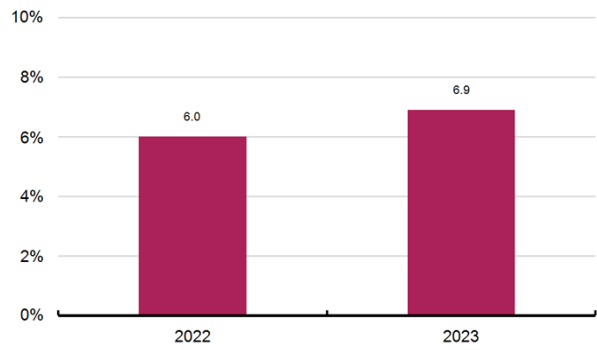
Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

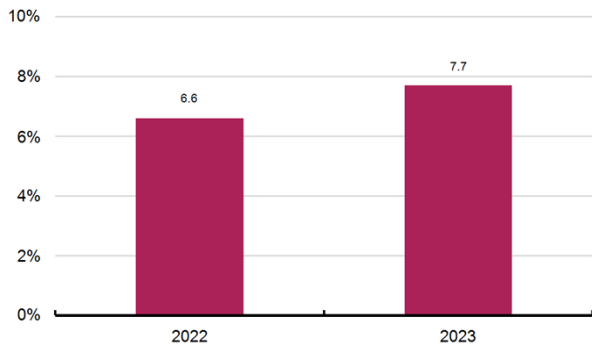
Class FF



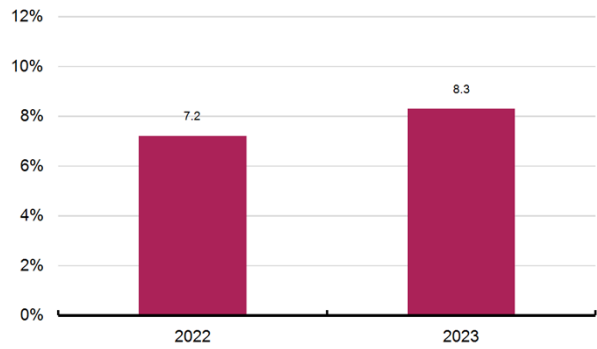
Class H



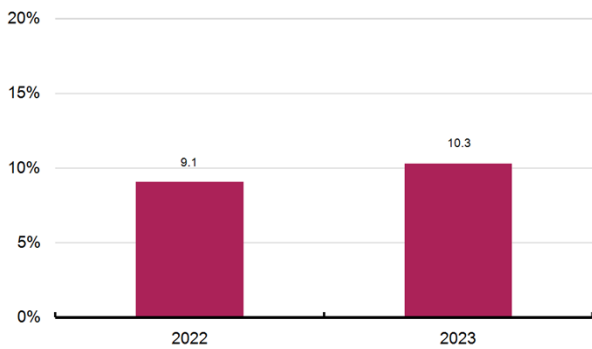
Class I



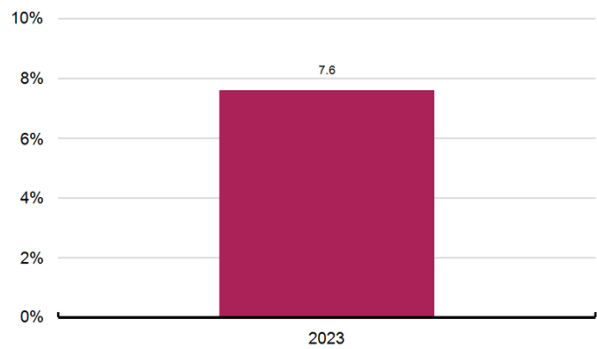
Class N



Class O



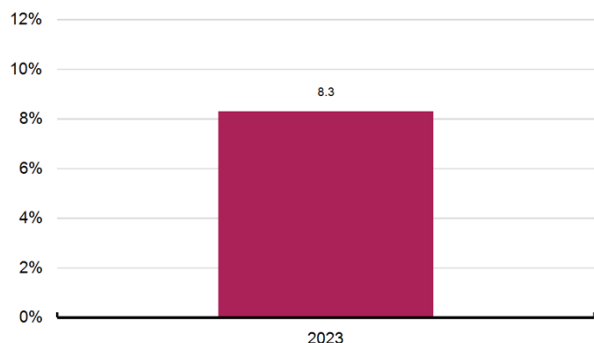
Class A (USD)



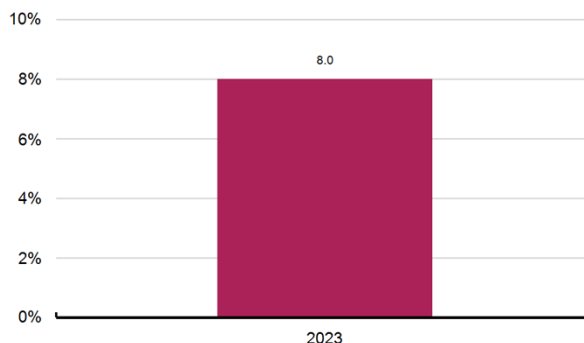
Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

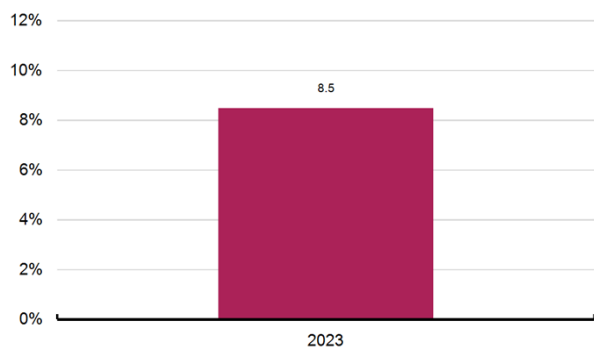
Class F (USD)



Class H (USD)



Class I (USD)



Annual Compound Returns

The annual compound returns table compares the Fund's performance to one or more benchmarks. Benchmarks are usually an index or a composite of more than one index. An index is generally made up of a group of securities. Since the Fund does not necessarily invest in the same securities as an index or in the same proportion, the Fund's performance is not expected to equal the performance of the index. Fund returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund's benchmark, which are based on the performance of an index that does not pay fees or incur expenses. It may be more helpful to compare the Fund's performance to that of other mutual funds with similar objectives and investment strategies.

The Fund's benchmark is HFRI Credit Index (USD). HFRI Credit Index is a composite index of strategies trading primarily in credit markets. It is an aggregation of following 7 HFRI sub strategy indices. HFRI ED: Credit Arbitrage Index, HFRI ED: Distressed/Restructuring Index, HFRI ED: Multi-Strategy Index, HFRI RV: Fixed Income-Asset Backed Index, HFRI RV: Fixed Income-Convertible Arbitrage Index, HFRI RV: Fixed Income-Corporate Index, and HFRI RV: Multi-Strategy Index.

A discussion of the performance of the Fund as compared to its benchmarks is found in the "Results of Operations" section of this report.

	Inception Date	1 Year (%)	Since Inception (%)
Class A	01-Sep-21	6.6	6.3
HFRI Credit Index (USD)		8.0	2.3
Class AF	01-Sep-21	7.6	7.0
HFRI Credit Index (USD)		8.0	2.3
Class E	01-Sep-22	8.5	10.3
HFRI Credit Index (USD)		8.0	4.1

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

	Inception Date	1 Year (%)	Since Inception (%)
Class F	01-Sep-21	7.5	6.9
HFRI Credit Index (USD)		8.0	2.3
Class FF	01-Sep-21	8.5	7.8
HFRI Credit Index (USD)		8.0	2.3
Class H	01-Sep-21	6.9	6.5
HFRI Credit Index (USD)		8.0	2.3
Class I	01-Sep-21	7.7	7.1
HFRI Credit Index (USD)		8.0	2.3
Class N	01-Sep-21	8.3	7.7
HFRI Credit Index (USD)		8.0	2.3
Class O	01-Sep-21	10.3	9.3
HFRI Credit Index (USD)		8.0	2.3
Class A (USD)	01-Sep-22	7.6	9.2
HFRI Credit Index (USD)		8.0	4.1
Class F (USD)	01-Sep-22	8.3	9.9
HFRI Credit Index (USD)		8.0	4.1
Class H (USD)	01-Sep-22	8.0	9.5
HFRI Credit Index (USD)		8.0	4.1
Class I (USD)	01-Sep-22	8.5	10.5
HFRI Credit Index (USD)		8.0	4.1

Summary of Investment Portfolio

The largest holdings of the Fund as at the end of the year 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
LONG POSITIONS	
United States Treasury, 0.00%, 2024/03/12	9.4
United States Treasury, 0.00%, 2024/05/09	7.7
United States Treasury, 0.00%, 2024/05/16	7.7
Cable One Inc., Callable, 4.00%, 2030/11/15	6.5
Parkland Corporation, Callable, 4.38%, 2029/03/26	6.4
United States Treasury, 0.00%, 2024/03/05	6.2
United States Treasury, 0.00%, 2024/04/09	6.2
United States Treasury, 0.00%, 2024/05/23	6.2
Government of Canada, 0.00%, 2024/05/09	5.8
Government of Canada, 0.00%, 2024/01/18	4.7
Government of Canada, 0.00%, 2024/02/15	4.7
Four Seasons Hotels Inc., Term Loan, 7.95%, 2029/11/30	3.9
XHR LP, Callable, 4.88%, 2029/06/01	3.8
TransDigm Inc., Term Loan, 8.07%, 2030/15/15	3.3
Mattamy Group Corporation, 4.63%, 2028/03/01	3.2
TransCanada Trust, Series '2017-A', Callable, 4.65%, 2077/05/18	3.1

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

Top 25 Holdings (cont'd)

	% of Net Assets
SHORT POSITIONS	
iShares iBoxx High Yield Corporate Bond ETF	(6.6)
SPDR S&P 500 ETF Trust	(6.5)
SPDR Bloomberg High Yield Bond ETF	(6.3)
Invesco QQQ Trust, Series '1'	(4.7)
RLJ Lodging Trust L.P., Callable, 4.00%, 2029/09/15	(4.1)
CCO Holdings, LLC, Callable, 4.25%, 2034/01/15	(3.9)
United States Treasury, 3.50%, 2033/02/15	(3.7)
Ball Corporation, Callable, 3.13%, 2031/09/15	(3.5)
iShares Russell 2000 ETF	(3.5)

Composition of the Portfolio

	% of Net Assets
LONG POSITIONS	
US corporate bonds and loans	53.0
Government bonds	49.3
Canadian corporate bonds and loans	44.2
Short-term investments	11.6
Preferred shares	1.0
Foreign corporate bonds and loans	0.8
Total Long Positions	159.9
SHORT POSITIONS	
Exchange-traded funds	(27.5)
US corporate bonds and loans	(21.8)
Government bonds	(11.1)
Canadian corporate bonds and loans	(3.8)
Equities	(1.1)
Total Short Positions	(65.3)
Total investments	94.6
Derivative assets	0.8
Total investment portfolio	95.4
Cash (Bank overdraft)	10.2
Other assets less liabilities	(5.6)
Total net assets	100.0

Pender Alternative Absolute Return Fund

For the year ended December 31, 2023

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; 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.

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 Absolute Return Fund

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