

Pender Bond Universe 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 Bond Universe Fund

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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The objective of the Pender Bond Universe Fund (the “Fund”) is to preserve capital and generate returns through current income and capital appreciation. The Fund invests primarily in investment grade fixed income securities. This, however, does not preclude the Fund from making equity investments when the Manager deems the risk/reward trade-off to be in the investors’ favour.

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. Interest rate risk and credit risk remain the principal risks associated with the Fund. 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 \$ 61,222,878 as at December 31, 2023 versus \$92,151,217 as at December 31, 2022. Of this \$30,928,339 decrease, \$4,606,331 is attributable to positive investment performance and \$35,534,670 is attributable to net unitholder redemptions of Fund units.

For the year ended December 31, 2023, Class A units of the Fund generated a total return of 6.4%. Returns for 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. The return for Class F (USD) will differ from Class A primarily due to foreign currency as this class is 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 broad-based benchmark, the FTSE Canada Universe Bond Index (“FTSE”), returned 6.7% during the year. In accordance with National Instrument 81-106, we have included a comparison to this broad-based index 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 relative to its benchmark was mainly due to its exposure to corporate credit through its investment in the Pender Corporate Bond Fund, as corporate credit has been battling a persistent, negative trend. The Fund is an income fund with an investment grade focus, with an objective to preserve capital and generate returns through current income and capital appreciation.

Key positive individual contributors to the Fund’s performance during the year were positions in the Pender Corporate Bond Fund, Government of Canada Bonds, and WarnerMedia Holdings, Inc. Conversely, positions in Verizon Communications Inc., Bell Canada, Inc., and Government of Canada inflation linked bonds were amount the largest detractors.

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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 and credit spreads tightening.

High yield spreads tightened to a relatively benign 339 bps at year end, providing little incentive to add credit exposure to the Fund. In addition, the high yield default rate in the US has been picking up over the last couple of years. Edward Altman, a leading academic in High Yield and Distress Credit has noted that corporate default rates tend to peak at the end of or soon after a recession ends. Although to some degree we have seen the Fed signal an intended pivot in terms of the direction of rates, given the increase in high yield default rates, it remains possible that the full impact of higher rates on the economy has yet to be seen.

As a result, the Fund’s exposure to credit via its Pender Corporate Bond Fund holdings remains lower relative to historic weightings. The Pender Bond Universe Fund had a 21.5% weight in Pender Corporate Bond Fund units at the end of December, resulting in a non-investment grade weight of 14.8%.

The duration of the Fund was 5.1 years as at December 31 and yield to maturity was 5.3%. Cash represented 0.9% of the portfolio at the end of the year.

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”).

As at the end of the year, parties related to the Manager collectively 1% of the Fund’s units. In addition, the Pender Income Advantage Fund, a fund also managed by the Manager, held 3% of the Fund’s outstanding units.

As part of the Fund’s investment strategy, the Fund invests in Class O units of the Pender Corporate Bond Fund, a mutual fund also managed by the Manager. The Fund does not pay any duplicate management fees on its investment in this mutual fund.

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.

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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 (\$)	2020 (\$)
Class A				
Net Assets, beginning of year	9.18	10.15	10.37	10.00
Increase (decrease) from operations:				
Total revenue	0.38	0.38	0.35	0.29
Total expenses	(0.11)	(0.11)	(0.12)	-
Realized gains (losses)	(0.40)	(0.52)	0.27	0.02
Unrealized gains (losses)	0.68	(0.44)	(0.47)	0.71
Total increase (decrease) from operations (b)	0.55	(0.69)	0.03	1.02
Distributions:				
From income (excluding dividends)	(0.27)	(0.26)	(0.22)	(0.26)
From dividends	(0.01)	(0.01)	(0.01)	(0.01)
From capital gains	-	-	(0.15)	-
Return of capital	-	-	-	-
Total distributions (b), (c)	(0.28)	(0.27)	(0.38)	(0.27)
Net Assets, end of year	9.48	9.18	10.15	10.37
Class E				
Net Assets, beginning of year	9.18	10.15	10.37	10.00
Increase (decrease) from operations:				
Total revenue	0.38	0.37	0.36	0.28
Total expenses	(0.05)	(0.05)	(0.05)	-
Realized gains (losses)	(0.40)	(0.52)	0.19	(0.03)
Unrealized gains (losses)	0.71	(0.39)	(0.29)	0.43
Total increase (decrease) from operations (b)	0.64	(0.59)	0.21	0.68
Distributions:				
From income (excluding dividends)	(0.33)	(0.33)	(0.28)	(0.26)
From dividends	(0.01)	(0.01)	(0.02)	(0.01)
From capital gains	-	-	(0.15)	-
Return of capital	-	-	-	-
Total distributions (b), (c)	(0.34)	(0.34)	(0.45)	(0.27)
Net Assets, end of year	9.48	9.18	10.15	10.37

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

	2023 (\$)	2022 (\$)	2021 (\$)	2020 (\$)
Class F				
Net Assets, beginning of year	9.17	10.14	10.37	10.00
Increase (decrease) from operations:				
Total revenue	0.38	0.38	0.36	0.28
Total expenses	(0.06)	(0.06)	(0.07)	-
Realized gains (losses)	(0.38)	(0.47)	0.34	(0.06)
Unrealized gains (losses)	0.65	(0.57)	(0.51)	0.40
Total increase (decrease) from operations (b)	0.59	(0.72)	0.12	0.62
Distributions:				
From income (excluding dividends)	(0.31)	(0.31)	(0.27)	(0.26)
From dividends	(0.01)	(0.01)	(0.02)	(0.01)
From capital gains	-	-	(0.15)	-
Return of capital	-	-	-	-
Total distributions (b), (c)	(0.32)	(0.32)	(0.44)	(0.27)
Net Assets, end of year	9.47	9.17	10.14	10.37
Class O				
Net Assets, beginning of year	9.18	10.15	10.37	10.00
Increase (decrease) from operations:				
Total revenue	0.38	0.37	0.35	0.29
Total expenses	-	-	-	-
Realized gains (losses)	(0.40)	(0.60)	0.31	0.07
Unrealized gains (losses)	0.65	(0.17)	(0.38)	0.75
Total increase (decrease) from operations (b)	0.63	(0.40)	0.28	1.11
Distributions:				
From income (excluding dividends)	(0.37)	(0.38)	(0.33)	(0.26)
From dividends	(0.01)	(0.01)	(0.02)	(0.01)
From capital gains	-	-	(0.15)	-
Return of capital	-	-	-	-
Total distributions (b), (c)	(0.38)	(0.39)	(0.50)	(0.27)
Net Assets, end of year	9.48	9.18	10.15	10.37
Class A (USD)				
Net Assets, beginning of year (a)	13.27	13.00		
Increase (decrease) from operations:				
Total revenue	0.20	0.94		
Total expenses	(0.06)	(0.08)		
Realized gains (losses)	(0.27)	(0.24)		
Unrealized gains (losses)	0.35	(0.04)		
Total increase (decrease) from operations (b)	0.22	0.58		
Distributions:				
From income (excluding dividends)	(0.12)	(0.18)		
From dividends	-	-		
From capital gains	-	-		
Return of capital	-	-		
Total distributions (b), (c)	(0.12)	(0.18)		
Net Assets, end of year	-	13.27		

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

	2023 (\$)	2022 (\$)	2021 (\$)	2020 (\$)
Class F (USD)				
Net Assets, beginning of year (a)	13.28	13.00		
Increase (decrease) from operations:				
Total revenue	0.54	0.39		
Total expenses	(0.08)	(0.04)		
Realized gains (losses)	(0.71)	(0.04)		
Unrealized gains (losses)	1.06	(0.34)		
Total increase (decrease) from operations (b)	0.81	(0.03)		
Distributions:				
From income (excluding dividends)	(0.46)	(0.21)		
From dividends	(0.01)	(0.01)		
From capital gains	-	-		
Return of capital	-	-		
Total distributions (b), (c)	(0.47)	(0.22)		
Net Assets, end of year	13.52	13.28		

(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. Class A (USD) was 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 year.

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

Ratios and Supplemental Data

	2023	2022	2021	2020
Class A				
Total net asset value (\$000s) (a)	3,207	3,398	3,794	1,278
Number of units outstanding (a)	338,413	370,331	373,849	123,163
Management expense ratio (b)	1.18%	1.18%	1.16%	0.00%
Management expense ratio before absorptions (c)	1.18%	1.18%	1.26%	1.45%
Trading expense ratio (d)	0.00%	0.01%	0.01%	0.02%
Portfolio turnover rate (e)	31.39%	82.86%	27.99%	86.57%
Net asset value per unit (\$) (a)	9.48	9.18	10.15	10.37
Class E				
Total net asset value (\$000s) (a)	401	334	313	280
Number of units outstanding (a)	42,271	36,415	30,835	26,956
Management expense ratio (b)	0.53%	0.53%	0.51%	0.00%
Management expense ratio before absorptions (c)	0.53%	0.53%	0.52%	0.50%
Trading expense ratio (d)	0.00%	0.01%	0.01%	0.02%
Portfolio turnover rate (e)	31.39%	82.86%	27.99%	86.57%
Net asset value per unit (\$) (a)	9.48	9.18	10.15	10.37
Class F				
Total net asset value (\$000s) (a)	55,439	86,294	79,955	3,558
Number of units outstanding (a)	5,851,182	9,407,030	7,883,926	343,036
Management expense ratio (b)	0.65%	0.67%	0.64%	0.00%
Management expense ratio before absorptions (c)	0.65%	0.67%	0.69%	0.95%
Trading expense ratio (d)	0.00%	0.01%	0.01%	0.02%
Portfolio turnover rate (e)	31.39%	82.86%	27.99%	86.57%
Net asset value per unit (\$) (a)	9.47	9.17	10.14	10.37

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Ratios and Supplemental Data (cont'd)

	2023	2022	2021	2020
Class O				
Total net asset value (\$000s) (a)	2,070	1,933	1,071	869
Number of units outstanding (a)	218,219	210,553	105,529	83,800
Management expense ratio (b)	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	0.00%	0.00%	0.00%	0.00%
Trading expense ratio (d)	0.00%	0.01%	0.01%	0.02%
Portfolio turnover rate (e)	31.39%	82.86%	27.99%	86.57%
Net asset value per unit (\$) (a)	9.48	9.18	10.15	10.37
Class F (USD)				
Total net asset value (\$000s) (a)	106	185		
Number of units outstanding (a)	7,836	13,907		
Management expense ratio (b)	0.63%	0.64%		
Management expense ratio before absorptions (c)	0.63%	0.64%		
Trading expense ratio (d)	0.00%	0.01%		
Portfolio turnover rate (e)	31.39%	82.86%		
Net asset value per unit (\$) (a)	13.52	13.28		

(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. Class A (USD) was closed on May 26, 2023.

(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.

(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.

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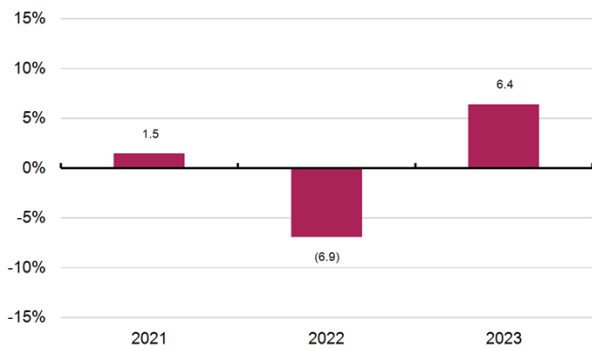
Past Performance

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. Past performance for Class A (USD) units of the Fund is not available for disclosure because it was closed during the year.

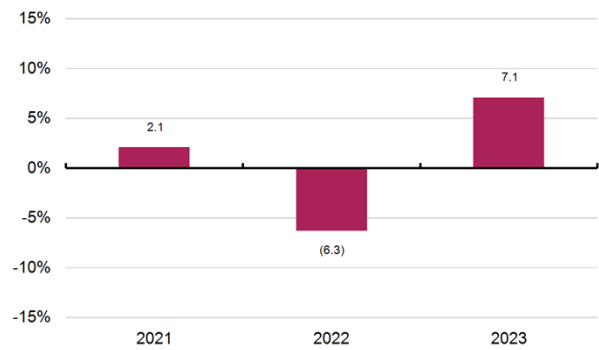
Year-by-Year Returns

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.

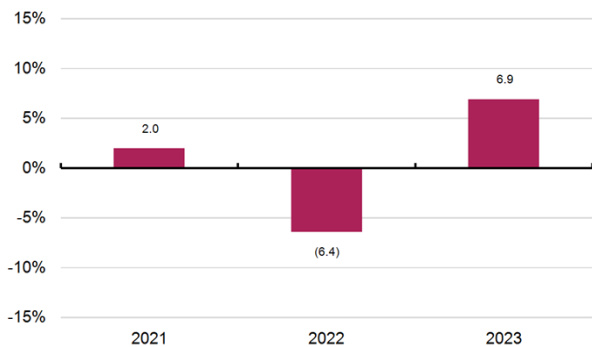
Class A



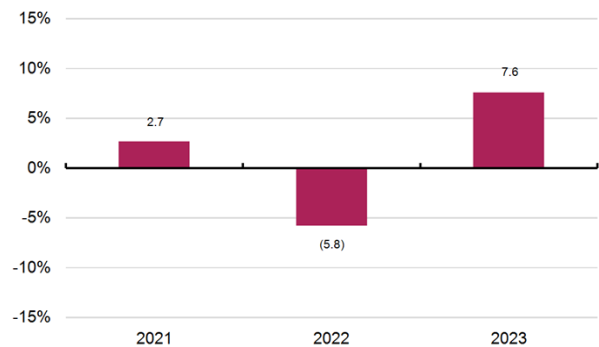
Class E



Class F



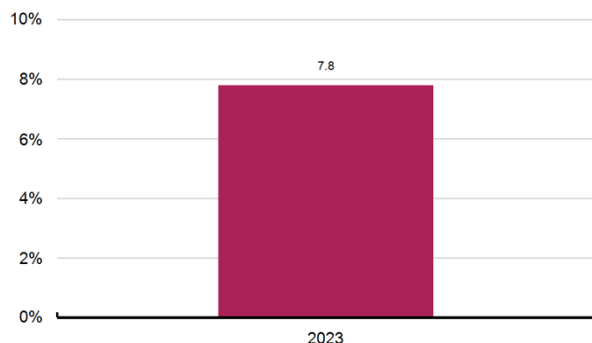
Class O



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Class F (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 FTSE Canada Universe Bond Index. The FTSE Canada Bond Universe Index is the broadest and most widely used measure of performance of marketable government and corporate bonds outstanding in the Canadian market. With the exception of Class F (USD), the performance of the Fund is compared to the benchmark's performance in Canadian dollars. Performance for Class F (USD) is compared to the benchmark's performance in U.S. dollars.

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 (%)	3 Year (%)	Since Inception (%)
Class A	31-Jan-20	6.4	0.2	1.8
FTSE		6.7	(2.8)	(0.8)
Class E	31-Jan-20	7.1	0.8	2.3
FTSE		6.7	(2.8)	(0.8)
Class F	31-Jan-20	6.9	0.7	2.2
FTSE		6.7	(2.8)	(0.8)
Class O	31-Jan-20	7.6	1.4	2.7
FTSE		6.7	(2.8)	(0.8)
Class F (USD)	30-Jun-22	7.8	-	4.9
FTSE		9.0	-	2.8

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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
Pender Corporate Bond Fund, Class 'O'	21.5
Government of Canada, 2.25%, 2029/06/01	5.5
Brookfield Renewable Partners L.P., Callable, 4.25%, 2029/01/15	4.9
Verisign, Inc., Callable, 4.75%, 2027/07/15	4.3
Cameco Corporation, Callable, 2.95%, 2027/10/21	4.1
McDonald's Corporation, Callable, 3.13%, 2025/03/04	3.9
Waste Management of Canada Corporation, Callable, 2.60%, 2026/09/23	3.9
Government of Canada, 2.75%, 2033/06/01	3.7
WarnerMedia Holdings, Inc., Callable, 5.39%, 2062/03/15	3.7
Fairfax Financial Holdings Limited, Callable, 4.70%, 2026/12/16	3.6
Government of Canada, Real Return, 4.00%, 2031/12/01	3.4
Loblaw Companies Limited, Callable, 4.49%, 2028/12/11	3.3
Canadian National Railway Company, Callable, 3.20%, 2028/07/31	3.2
PepsiCo, Inc., Callable, 2.15%, 2024/05/06	3.2
Fairfax Financial Holdings Limited, Callable, 3.95%, 2031/03/03	3.1
Petróleos Mexicanos, Callable, 6.75%, 2047/09/21	2.6
United Parcel Service, Inc., Callable, 2.13%, 2024/05/21	2.2
Bell Canada, Inc., Callable, 3.00%, 2031/03/17	2.1
United States Treasury, 3.50%, 2033/02/15	2.1
United States Treasury, Inflation Indexed, 0.13%, 2052/02/15	2.1
Ontario Power Generation Inc., Callable, 2.89%, 2025/04/08	1.8
Canadian Pacific Railway Company, Callable, 3.15%, 2029/03/13	1.7
Choice Properties Real Estate Investment Trust, Callable, 2.85%, 2027/05/21	1.7
Apple Inc., Callable, 2.51%, 2024/08/19	1.6
Occidental Petroleum Corporation, Callable, 4.10%, 2047/02/15	1.6

Composition of the Portfolio

	% of Net Assets
Canadian corporate bonds	35.3
Mutual funds	21.5
US corporate bonds	20.5
Government bonds	17.7
Foreign corporate bonds	2.6
Preferred shares	0.3
Total investments	97.9
Derivative assets	0.6
Total investments	98.5
Cash (Bank overdraft)	0.9
Other assets less liabilities	0.6
Total net assets	100.0

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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; 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 Bond Universe Fund

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