



**NOTICE OF SPECIAL MEETING AND
MANAGEMENT INFORMATION CIRCULAR**

on behalf of

PENDERFUND CAPITAL MANAGEMENT LTD.

for unitholders of

PENDER SMALL/MID CAP DIVIDEND FUND

to be held on

May 23, 2024

at 9:00 am (Vancouver time)

in a virtual-only format via live audio conference call

April 24, 2024

April 24, 2024

Dear Unitholder:

Accompanying this letter you will find a package of materials relating to the special meeting (the “**Meeting**”) of the unitholders of the Pender Small/Mid Cap Dividend Fund (the “**Fund**” or the “**Terminating Fund**”), whose units you hold.

The Meeting is scheduled to take place in a virtual-only format conducted via live audio conference call at **9:00 am** (Vancouver time) on May 23, 2024, or as otherwise adjourned.

The enclosed documents contain important details in connection with the proposed merger of the Fund with the Pender Small Cap Opportunities Fund, as described below. As such, we ask for your support, and recommend that you vote **IN FAVOUR** of the Proposal (as defined below).

PenderFund Capital Management Ltd. (“**Pender**”, “**we**”, “**us**” or “**our**”) operates with the goal of protecting and growing wealth for its investors over time. To achieve this, Pender seeks to understand the quality of a business or security, obtain more value than it is paying for, deploy capital in flexible mandates and mitigate downside risk.

Purpose of the Meeting

The Meeting is being called to seek the approval of unitholders of the Fund to effect the merger of the Fund with the Pender Small Cap Opportunities Fund (“PSCF” or the “Continuing Fund”, and such merger, the “Merger”), and to approve the matters related to the Merger described in the resolution attached as Schedule “A” to the management information circular (the “Circular”) accompanying this letter (collectively, the “Proposal”).

The Proposal is for a Merger of the Fund, as the Terminating Fund, with the PSCF, as the Continuing Fund, and is expected to occur effective on or around June 28, 2024. National Instrument 81-102 – *Investment Funds* (“**NI 81-102**”) requires the prior approval of the unitholders of a fund if the fund undertakes a reorganization with, or transfers its assets to, another issuer, if:

- (i) the fund ceases to continue after the reorganization or transfer of assets; and
- (ii) the transaction results in the unitholders of the fund becoming unitholders in the other issuer. All unitholders of the Fund are therefore being asked to approve the Merger of the Fund, as the terminating fund, with the PSCF, as the continuing fund.

Currently, the investment objective of the Fund is “*to provide investors with a combination of long-term capital appreciation and a stable quarterly stream of cash distributions. The Fund will invest primarily in Canadian securities, with a focus on, but not limited to, dividend paying small/mid cap companies. Assets in the Fund may also be held in cash or other securities to the extent that the economic, market, or other conditions make it appropriate.*”.

If the Proposal is approved and implemented, the investment objective of the Continuing Fund will remain the same as the current investment objective of the PSCF, which is as follows: “*the fund invests in a concentrated portfolio of well-managed businesses, with strong competitive positions, which are overlooked by the market and have the potential for significant capital appreciation. These businesses may be in Canada, the United States or in other foreign jurisdictions with a primary emphasis on companies with a small market capitalization. The fund may also invest in any securities regardless of market capitalization, sector or region, including foreign equities where opportunities warrant. In some situations,*

the fund may invest directly in companies, through private placements or public offerings, or may acquire previously issued shares, either through the facilities of a stock exchange, quotation system, or by private arrangement.”

In connection with, and subject to, the approval and implementation of the Proposal, unitholders of the Fund are advised that:

- (i) the Merger will result in unitholders of the Terminating Fund holding classes of the Continuing Fund (certain of which are currently closed to additional purchases);
- (ii) the risk rating for the Continuing Fund is medium to high risk versus the current risk rating of medium for the Fund;
- (iii) the distribution policy of the Terminating Fund currently involves quarterly net investment income distributions, whereas, upon completion of the Merger, the distribution policy of the Continuing Fund will remain the same as the current distribution policy of PSCF, which involves an annual net investment income distribution; and
- (iv) the calculation of the net asset value for the Terminating Fund is currently conducted on a daily basis, whereas, upon completion of the Merger, the calculation of the net asset value of the Continuing Fund will be conducted on a weekly basis, as currently conducted by PSCF, all as further described in the accompanying Circular.

For further details on the Proposal, see “*The Proposal*” in the accompanying Circular.

What are the Enclosed Documents?

The documents contained in this package include:

(i) **Notice of Meeting of Unitholders of the Fund**

This document outlines the reasons for holding the Meeting, which is being held to consider and vote on a resolution of the unitholders of the Fund to approve the Proposal.

(ii) **Management Information Circular**

This document explains your voting rights and sets out the procedures to be carefully followed in order to attend and participate in the Meeting to be held via live audio conference call. This document also provides you with information regarding the Proposal.

(iii) **Proxy**

This document can be used for voting. As a unitholder of the Fund, you are entitled to vote on the Proposal. We encourage you to exercise this right, which you can do in one of several ways in accordance with the instructions set out in the accompanying Circular:

- (1) by virtually attending and voting at the Meeting of the Fund;
- (2) by completing the proxy, voting for or against the Proposal, signing it and returning it as instructed; or

(3) by completing the proxy as indicated in (2) above and designating on the proxy another individual who can virtually attend and vote for you at the Meeting.

(iv) **Fund Facts**

The most recently filed Fund Facts document for PSCF, for the class of units that corresponds to the class of units that you currently hold in the Fund.

Provided that the Proposal is approved, Pender intends to implement the Proposal on or around June 28, 2024.

We would appreciate your support for the Proposal and encourage you to either attend the Meeting virtually or to complete and return the accompanying form of proxy for the Meeting and deposit it with Computershare Investor Services Inc. at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. Alternatively, you may vote by proxy by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 (within North America) or 1-416-263-9524 (if outside North America), or by internet using the 15-digit control number located at the bottom of your proxy at www.investorvote.com. Your proxy must be received by not later than **9:00 am (Vancouver time) on May 21, 2024**, or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of a reconvened Meeting. For specific details, please follow the instructions contained in your form of proxy and in the accompanying Circular. If you have any questions regarding the Proposal, please contact us by calling collect to 1-866-377-4743 or by email at info@penderfund.com.

We thank you for your consideration of the attached and for your ongoing support.

Yours sincerely,

(signed) David Barr
Chief Executive Officer & Director
PenderFund Capital Management Ltd.

**NOTICE OF SPECIAL MEETING OF UNITHOLDERS OF
PENDER SMALL/MID CAP DIVIDEND FUND
("PSMD", the "Fund" or the "Terminating Fund")**

PenderFund Capital Management Ltd. ("Pender", "we", "us" or "our"), in its capacity as manager of the Fund, is writing to notify you of certain proposed changes to the Fund in respect of a proposed merger of the Fund with the Pender Small Cap Opportunities Fund (the "PSCF" or the "Continuing Fund"), details of which are provided in the management information circular (the "Circular") accompanying this Notice.

NOTICE IS HEREBY GIVEN that Pender, as manager of the Fund, will hold a special meeting of the Fund's unitholders (the "Meeting"), to be held virtually via live audio conference call on May 23, 2024 at 9:00 am (Vancouver time), **to (a) consider and, if thought fit, to pass a resolution, the full text of which is set forth as Schedule "A" to the Circular (the "Proposal Resolution"), approving the proposed merger of the Fund with the PSCF, and the other matters described in the Proposal Resolution, all as further described in the Circular (collectively, the "Proposal"), and (b) transact such other business for the Fund as may properly come before the Meeting or any adjournments, postponements or continuances thereof.**

The Proposal is proposing to merge the Fund, as the Terminating Fund, with the PSCF, as the Continuing Fund, effective on or around June 28, 2024.

Currently, the investment objective of the Fund is "*to provide investors with a combination of long-term capital appreciation and a stable quarterly stream of cash distributions. The Fund will invest primarily in Canadian securities, with a focus on, but not limited to, dividend paying small/mid cap companies. Assets in the Fund may also be held in cash or other securities to the extent that the economic, market, or other conditions make it appropriate.*".

If the Proposal is approved and implemented, the investment objective of the Continuing Fund will remain the same as the current investment objective of the PSCF, which is as follows: "*The fund invests in a concentrated portfolio of well-managed businesses, with strong competitive positions, which are overlooked by the market and have the potential for significant capital appreciation. These businesses may be in Canada, the United States or in other foreign jurisdictions with a primary emphasis on companies with a small market capitalization. The fund may also invest in any securities regardless of market capitalization, sector or region, including foreign equities where opportunities warrant. In some situations, the fund may invest directly in companies, through private placements or public offerings, or may acquire previously issued shares, either through the facilities of a stock exchange, quotation system, or by private arrangement.*"

For further details on the Proposal, see "*The Proposal*" in the accompanying Circular.

In connection with, and subject to, the approval and implementation of the Proposal, unitholders of the Fund are advised that:

- (i) the Merger will result in unitholders of the Terminating Fund holding classes of the Continuing Fund (certain of which are currently closed to additional purchases);
- (ii) the risk rating for the Continuing Fund is medium to high risk versus the current risk rating of medium for the Fund;

- (iii) the distribution policy of the Terminating Fund currently involves quarterly net investment income distributions, whereas, upon completion of the Merger, the distribution policy of the Continuing Fund will remain the same as the current distribution policy of PSCF, which involves an annual net investment income distribution; and
- (iv) the calculation of the net asset value for the Terminating Fund is currently conducted on a daily basis, whereas, upon completion of the Merger, the calculation of the net asset value of the Continuing Fund will be conducted on a weekly basis, as currently conducted by PSCF, all as further described in the accompanying Circular. For further details, see “*The Proposal*” in the accompanying Circular.

Additional details regarding the Continuing Fund and the Fund are set out in the simplified prospectus and fund facts for the Continuing Fund or the Fund, as applicable, which are available at www.penderfund.com or on SEDAR+ at www.sedarplus.com. The most recently filed simplified prospectus dated June 27, 2023 in respect of the Continuing Fund, which is combined with the simplified prospectus for the Fund, is incorporated by reference herein. Upon request by a unitholder of the Fund to us at Suite 1830 - 1066 West Hastings Street, Vancouver, BC V6E 3X2, by email at info@penderfund.com or by telephone at 1-866-377-4743, Pender will promptly provide a copy of such simplified prospectus free of charge.

IMPORTANT NOTICE

The Meeting is scheduled to take place in a virtual-only format conducted via live audio conference call. As such, unitholders of the Fund will not be able to attend the Meeting in person and the Fund strongly encourages all unitholders who wish to attend and participate in the Meeting to carefully follow the procedures described in the Circular to ensure they can attend and participate in the Meeting via live audio conference call.

Voting

Unitholders of the Fund holding in aggregate one or more whole units of the Fund and duly appointed proxy holders may participate in the Meeting via a live teleconference. Specifically, such unitholders and duly appointed proxy holders who have properly pre-registered prior to the Meeting as outlined below, will be able to ask questions of management of Pender, as manager of the Fund, via the live teleconference at the conclusion of the Meeting. All other unitholders and stakeholders can attend the Meeting as a guest via teleconference without pre-registering as outlined below, but will not be permitted to ask questions at the conclusion of the Meeting. The Circular and a form of proxy accompany this Notice. **All unitholders of the Fund who are entitled to vote at the Meeting are strongly encouraged to cast their vote by submitting their completed form of proxy prior to the Meeting as described in the Circular.**

Only unitholders of record holding in aggregate one or more whole units of the Fund as of the close of business on April 11, 2024 (the “Record Date”) will be entitled to notice of and to vote at the Meeting. In order to vote during and to be permitted to ask questions at the conclusion of the Meeting, such unitholders and duly appointed proxy holders must pre-register via the following link prior to **9:00 am (Vancouver time) on May 21, 2024** or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time and date of the adjourned or postponed Meeting:

<https://dpregrister.com/sreg/10023439/f84bcefbf7>

After the pre-registration has been completed, such unitholders of the Fund and duly appointed proxy holders will be assigned a unique PIN and dial-in telephone number. It is recommended that you attempt to connect at least ten minutes prior to the scheduled start time of the Meeting.

For all other unitholders of the Fund and stakeholders wishing to attend the Meeting by teleconference, but without the ability to ask questions of management of Pender, as manager of the Fund, please dial the following toll-free or international toll number approximately ten minutes prior to the start of the Meeting and ask the operator to join the special meeting of unitholders of the Fund:

Toll-free (Canada/U.S.): +1-844-763-8274 or

Toll (international): +1-647-484-8814

If you are a unitholder of the Fund entitled to attend, participate and vote at the Meeting, you may do so via live audio conference call, provided you comply with all of the requirements set out in the Circular.

Unitholders who are entitled to vote but are unable to attend the Meeting virtually are requested to complete, date, sign and return the accompanying form of proxy for the Meeting and deposit it with Computershare Investor Services Inc. at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. Alternatively, you may vote by proxy by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 (within North America) or 1-416-263-9524 (if outside North America), or by internet using the 15 digit control number located at the bottom of your proxy at www.investorvote.com. Your proxy must be received by not later than 9:00 am (Vancouver time) on May 21, 2024, or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of a reconvened Meeting. For specific details, please follow the instructions contained in your form of proxy.

While the option is available to unitholders of the Fund who are entitled to attend and vote at the Meeting to do so via live audio conference call by following the instructions set out in this Notice and in the accompanying Circular, all such unitholders of the Fund are strongly encouraged to vote by proxy in advance of the Meeting rather than voting during the Meeting via live audio conference call.

The approval of the Proposal will require the affirmative vote of not less than a majority of the votes cast in respect of the Proposal Resolution. In order for the Meeting of the Fund to be duly constituted, a quorum must be established. Quorum for the Fund requires one or more unitholders of the Fund entitled to vote at the Meeting whether virtually or by proxy who hold, in the aggregate, at least 10 units entitled to be voted at the Meeting.

Notwithstanding the receipt of such unitholder approval, Pender may, in its discretion as manager of the Fund, decide not to proceed with, or delay, the implementation of the Proposal for any reason.

<p>Pender, as manager of the Fund, recommends that you vote <u>IN FAVOUR</u> of the Proposal Resolution.</p>

On April 15, 2024, Pender presented the Proposal to the Independent Review Committee (“**IRC**”) for all of Pender’s mutual funds for its review of potential conflict of interest matters relating to the Proposal. The IRC has determined, after reasonable inquiry, that the Proposal would achieve a fair and reasonable result for the unitholders of both Funds, if implemented, and has provided to Pender a positive recommendation in respect of the Proposal.

While the IRC has determined that the Proposal would achieve a fair and reasonable result for the unitholders of both Funds, it is not the role of the IRC to recommend that unitholders vote in favour of the Proposal. Unitholders should review the proposed Merger and make their own decision.

Unitholder Questions

Unitholders who have questions or need assistance with respect to the pre-registration process as set forth in this Notice and the accompanying Circular or accessing or attending the virtual Meeting should contact [**canada@choruscall.com**](mailto:canada@choruscall.com) , Attention: Gaylene Van Dusen

DATED at Vancouver, British Columbia, this 24th day of April, 2024.

**PENDERFUND CAPITAL MANAGEMENT
LTD.**, as manager of the Fund

(signed) David Barr
Chief Executive Officer & Director

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MANAGEMENT INFORMATION CIRCULAR

PENDER SMALL/MID CAP DIVIDEND FUND (the “Fund” or the “Terminating Fund”)

IMPORTANT NOTICE

A special meeting of unitholders of the Fund (the “Meeting”) is scheduled to take place in a virtual-only format conducted via live audio conference call on **May 23, 2024 at 9:00 am (Vancouver time)**, or as otherwise adjourned.

Only unitholders of record holding in aggregate one or more whole units of the Fund as of the close of business on April 11, 2024 (the “Record Date”) will be entitled to notice of and to vote at the Meeting.

As the Meeting will take place in a virtual-only format conducted via live audio conference call, unitholders of the Fund will not be able to attend the Meeting in person and the Fund strongly encourages all unitholders of the Fund who are entitled to vote at the Meeting to do so by proxy in advance of the Meeting by following the instructions in this management information circular (the “Circular”) and the form of proxy, or, for those who are entitled to and wish to attend and participate in the Meeting, to carefully follow the procedures described in this Circular to ensure they can attend and participate in the Meeting virtually via live audio conference call.

FORWARD-LOOKING STATEMENTS

Certain statements included in this Circular may constitute “forward-looking statements”. All statements, other than statements of historical fact, included in this Circular that address future activities, events, developments or financial performance, are forward-looking statements. These forward-looking statements can be identified by the use of forward-looking words such as “may”, “should”, “will”, “could”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “future” or “continue” or the negatives thereof or similar variations. These forward-looking statements are based on certain assumptions and analyses made by Pender and its management in light of their experiences and their perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate in the circumstances. Unitholders are cautioned not to put undue reliance on such forward-looking statements, which reflect the analysis of management of PenderFund Capital Management Ltd. (“Pender”, “we”, “us” or “our”) only as of the date of this Circular and are not a guarantee of performance. Such forward-looking statements are subject to a number of uncertainties, assumptions, risks and other factors, many of which are outside the control of Pender that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks include the risks disclosed in the most recent simplified prospectus of the Fund, which is available at www.penderfund.com and on SEDAR+ at www.sedarplus.com. All forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth above. Pender undertakes no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law.

SOLICITATION OF PROXIES

The information contained in this Circular is provided by Pender, in its capacity as manager of the Fund, in connection with the solicitation of proxies on behalf of the Fund for use at the Meeting.

The Meeting is to be held virtually via live audio conference call on **May 23, 2024 at 9:00 am (Vancouver time)** to consider and vote on a resolution to approve the Proposal (as defined below) described within this Circular. It is expected that the solicitation of proxies will principally be done by mail. However, the directors, officers, employees or agents of Pender may also solicit proxies personally, by telephone or by facsimile transmission. The cost of the solicitation will be borne by Pender. The Fund is not relying on the notice-and-access delivery procedures outlined in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators to distribute copies of proxy-related materials in connection with the Meeting.

The approval of the resolution in respect of the Proposal will require the affirmative vote of not less than a majority of the votes cast at the Meeting in respect thereof. In order for the Meeting to be duly constituted, a quorum must be established. Quorum for the Fund requires one or more unitholders of the Fund entitled to vote at the Meeting whether virtually or by proxy who hold, in the aggregate, at least 10 units entitled to be voted at the Meeting.

Pender has engaged Computershare Investor Services Inc. (“**Computershare**”) as its proxy agent to receive and tabulate proxies of unitholders of the Fund. Unitholders who are entitled to vote but are unable to attend the Meeting virtually are requested to complete, date, sign and return the accompanying form of proxy for the Meeting and deposit it with Computershare at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. Alternatively, you may vote by proxy by telephone at 1-866-732-VOTE (8683) (toll free within North America) or 1-312-588-4290 (outside North America), by facsimile to 1-866-249-7775 (within North America) or 1-416-263-9524 (if outside North America), or by internet using the 15-digit control number located at the bottom of your proxy at www.investorvote.com. Your proxy must be received by not later than **9:00 am (Vancouver time) on May 21, 2024**, or not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of a reconvened Meeting. For specific details, please follow the instructions contained in your form of proxy.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors or officers of Pender. **You have the right to appoint some other person (who need not be a unitholder of the Fund) to attend or act on your behalf at the Meeting by striking out the printed names and inserting the name of such other person in the blank space provided in the form of proxy, or by completing another proxy in the proper form. To be valid, completed proxies must be received by Computershare in accordance with the instructions provided above.**

If you submit a proxy, you may revoke it in relation to any matter, provided a vote has not already been taken on that matter. You can revoke your proxy by:

- (i) completing and signing a proxy bearing a later date and depositing it as described above;
- (ii) depositing a written revocation executed by you, or by your attorney, who you have authorized in writing to act on your behalf, at the above address at any time up to and including the last business day preceding the day of the Meeting, or any postponement(s), adjournment(s) or continuance(s), at which the proxy is to be used;

- (iii) participating and voting at the virtual Meeting after carefully following the instructions set out in this Circular; or
- (iv) any other manner permitted by law.

EXERCISE OF DISCRETION BY PROXIES

The management representatives designated in the enclosed form of proxy will vote units of the Fund for which they are appointed proxy holder in accordance with your instructions as indicated on the form of proxy.

In the absence of such direction, units of the Fund will be voted by the management representatives in favour of the Proposal Resolution (as defined below).

The enclosed form of proxy confers discretionary authority on the designated management representatives relating to amendments to or variations of matters identified in the Notice attached to this Circular and relating to other matters which may properly come before the Meeting. At the date of this Circular we are not aware of any such amendments, variations or other matters.

VOTING VIRTUALLY VIA LIVE AUDIO CONFERENCE CALL

For unitholders of the Fund or their duly appointed proxy holders who are entitled to and wish to attend and participate in the virtual Meeting, such unitholders and duly appointed proxy holders must pre-register with Chorus Call (telephone voting service provider) via the following link prior to **9:00 am (Vancouver time) on May 21, 2024** or, if the Meeting is adjourned or postponed, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time and date of the adjourned or postponed Meeting:

<https://dpregrister.com/sreg/10023439/f84bcefbf7>

After the pre-registration has been completed, such unitholders and duly appointed proxy holders will be assigned a unique PIN and dial-in telephone number. It is recommended that you attempt to connect at least ten minutes prior to the scheduled start time of the Meeting.

If you are such a unitholder of the Fund or duly appointed proxy holder and have been assigned pre-registration details by Chorus Call, you will be able to vote and submit questions during the Meeting using the assigned teleconference number and access code. **It is important that you are connected to the teleconference at all times during the Meeting in order to vote when balloting commences. It is your responsibility to ensure connectivity for the duration of the Meeting. Unitholders of the Fund should note that if they participate and vote on any matter at the virtual Meeting, they will revoke any previously submitted proxy.**

While this option is available to unitholders of the Fund, the Fund strongly encourages all unitholders of the Fund to vote by proxy in advance of the Meeting, prior to the proxy cut-off time 9:00 am (Vancouver time) on May 21, 2024, by following the instructions set out in this Circular and the form of proxy rather than voting during the Meeting via live audio conference call.

For all other unitholders and stakeholders wishing to attend the Meeting by teleconference, but without the ability to vote during the Meeting via live audio conference call or ask questions of management at the conclusion of the Meeting, please dial the following toll-free or international toll number approximately ten minutes prior to the start of the Meeting and ask the operator to join the special meeting of unitholders of the Fund:

Toll-free (Canada/U.S.): +1-844-763-8274 or

Toll (international): +1-1-647-484-8814.

Unitholder Questions

Unitholders who have questions or need assistance with respect to the pre-registration process as set forth in this Circular or accessing or attending the virtual Meeting should contact canada@choruscall.com, Attention: Gaylene Van Dusen

PURPOSE OF THE MEETING

The purpose of the Meeting is to consider and, if thought advisable, adopt the Proposal Resolution to (a) approve the merger of the Fund with the Pender Small Cap Opportunities Fund (“PSCF” or the “**Continuing Fund**” and together with the Fund, the “**Funds**”) (the “**Merger**”), and the matters related to the Merger described in the resolution attached to the Circular as Schedule “A” (collectively, the “**Proposal**”) and (b) transact such other business as may come before the Meeting.

A copy of the text of the Proposal Resolution authorizing the Proposal in respect of which all unitholders of the Fund are entitled to vote is attached in Schedule “A” to this Circular.

Unitholders of the Fund may obtain, at no cost, the simplified prospectus, the most recent interim and annual financial statements, fund facts and management reports of fund performance for the Fund or the Continuing Fund by contacting us at Suite 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2, by email at info@penderfund.com or by telephone at 1-866-377-4743. You may also find these documents and other information about the Fund at www.penderfund.com or on SEDAR+ at www.sedarplus.com.

Required Unitholder Approval

In order to give effect to the resolution to approve the Proposal, as set out in Schedule “A” and described in this Circular (the “**Proposal Resolution**”), the Proposal Resolution must be approved by a majority of the votes cast at the Meeting (i.e., more than 50%). For additional information regarding your voting rights see the section of this Circular titled “*Voting Securities and Principal Holders Thereof*”.

THE PROPOSAL

Pursuant to the Proposal, Pender is proposing to merge the Fund, as the terminating fund, with PSCF, as the continuing fund, such that upon completion of the Merger, the unitholders of the Fund will become unitholders of the Continuing Fund. Following the completion of the Merger, the Fund will be terminated. The text of the Proposal Resolution in respect of the Merger is set out in Schedule “A” to this Circular.

National Instrument 81-102 – *Investment Funds* (“**NI 81-102**”) requires the prior approval of the unitholders of a fund if the fund undertakes a reorganization with, or transfers its assets to, another issuer, if (i) the fund ceases to continue after the reorganization or transfer of assets; and (ii) the transaction results in the unitholders of the fund becoming unitholders in the other issuer. The unitholders of the Fund are therefore being asked to approve the Merger of the Fund, as the terminating fund, with the PSCF.

The Merger is being proposed because the Terminating Fund is not at a viable scale and, of the funds managed by Pender, the investment objective and investment strategy of the Continuing Fund are not inconsistent with those of the Terminating Fund. Both Funds have the similar investment objective of achieving capital growth over the long term and both invest in businesses in similar geographic areas. However, the Continuing Fund's investment objective does allow for investment in foreign jurisdictions.

Unitholders of the Fund are advised that:

- (i) the Merger will result in unitholders of the Terminating Fund holding classes of the Continuing Fund (certain of which are closed to additional purchases);
- (ii) the risk rating for the Continuing Fund is medium to high risk versus the current risk rating of medium for the Fund;
- (iii) the distribution policy of the Terminating Fund currently involves quarterly net investment income distributions, whereas, upon completion of the Merger, the distribution policy of the Continuing Fund will remain the same as the current distribution policy of PSCF, which involves an annual net investment income distribution; and
- (iv) the calculation of the net asset value for the Terminating Fund is currently conducted on a daily basis, whereas, upon completion of the Merger, the calculation of the net asset value of the Continuing Fund will be conducted on a weekly basis, as currently conducted by PSCF, all as further described in the accompanying Circular.

Further, unitholders of the Fund are advised that, using the Canadian Investment Fund Standards Committee ("CIFSC") methodology as at March 2024, the Terminating Fund is currently classified as a fund in the Canadian Small/Mid Cap Equity fund category (which category requires a fund to invest at least 90% of its equity holdings in Canada and its average market capitalization must be lower than the Canadian small/mid cap threshold, based on a benchmark of the S&P/TSX Composite Index). On the other hand, using the same CIFSC methodology, the Continuing Fund is classified as a fund in the Canadian Focused Small/Mid Cap Equity fund category (which category requires a fund to invest at least 50% and less than 90% of its equity holdings in Canada and its average market capitalization must be lower than the Canadian focused small/mid cap threshold, based on a benchmark of 70% S&P/TSX Completion Index and 30% Russell Mid Cap Index).

Overall, Pender believes that the Merger is beneficial to unitholders of the Terminating Fund and that following the Merger, the Continuing Fund will be overall a more viable long-term investment vehicle for existing and potential investors.

At the effective time of the Merger, the unitholders of the Fund will receive units of the Continuing Fund in exchange for their units held in the Fund, as follows:

- former unitholders of Class A units of the Fund will receive Class A units of the Continuing Fund, on a dollar-for-dollar basis;
- former unitholders of Class E units of the Fund will receive Class E units of the Continuing Fund, on a dollar-for-dollar basis;
- former unitholders of Class F units of the Fund will receive Class F units of the Continuing Fund, on a dollar-for-dollar basis;

- as the Continuing Fund does not have Class H units, at the effective time of the Merger, former unitholders of Class H units of the Fund will receive Class A units of the Continuing Fund, on a dollar-for-dollar basis;
- former unitholders of Class I units of the Fund will receive Class I units of the Continuing Fund, on a dollar-for-dollar basis;
- former unitholders of Class O units of the Fund will receive Class O of the Continuing Fund, on a dollar-for-dollar basis.

Following the Merger, it is expected that the Continuing Fund will create Class H units on or about June 28, 2024 and as soon as practicable after such Class H units are created, the Class A units of the Continuing Fund received by former Class H unitholders of the Terminating Fund in connection with the Merger will automatically be switched into Class H units of the Continuing Fund. Aside from issuances in connection with the proposed Merger transaction: (i) the Class A, Class F, Class I, and Class O units of the Continuing Fund are currently closed to new investors; and (ii) the new Class H units of the Continuing Fund, once created, will be closed to new investors. However, the Continuing Fund may resume selling of such classes of units at any time.

There may be tax consequences for the sale or redemption of units, or if you switch a unit of one fund for a unit of a different fund, whether by redemption or otherwise, a capital gain (or a capital loss) will be realized to the extent that the proceeds of disposition, less any costs of disposition, are greater (or less) than the adjusted cost base to you of the unit. One-half of a capital gain (or a capital loss) is generally included in determining your taxable capital gain (or allowable capital loss). The allowable capital loss may be deducted against your taxable capital gains for the year. Generally, any excess of your allowable capital loss over your taxable capital gains for the year may be carried back up to three taxation years or forward indefinitely and deducted against taxable capital gains in other years. **A change of units of a class of a fund into units of a different class of the same fund is generally not considered to be a sale for tax purposes, so no capital gain or loss will result.** To the extent a change in units results in a disposition of the original units then either a capital gain or a capital loss will be realized or suffered.

Units held in the Fund will become subject to the investment objective, strategy, fees, valuation frequency and distribution policy applicable to the Continuing Fund. The proposed Merger will be effected on a non-taxable basis for unitholders – see “*Canadian Federal Income Tax Considerations – Tax Consequences of the Merger*” below.

The historical rates of return for the Fund and the PSCF are available at www.penderfund.com. The tax consequences of the Merger are summarized below.

Fee Structure

The following tables set out the applicable management, administration and performance fees for the Terminating Fund and the Continuing Fund. All references to fees in this Circular exclude any applicable taxes.

Pender Small/Mid Cap Dividend Fund⁽¹⁾

	Management Fee	Administration Fee
Class A Units	1.95%	0.50%
Class E Units	Negotiable – maximum 1.95%	0.50%
Class F Units	0.95%	0.50%
Class H Units	1.65%	0.50%
Class I Units	0.80%	0.50%

Class O Units	Negotiable – maximum 1.95%	Nil
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Notes:

- (1) There are no performance fees payable in respect of the Terminating Fund.

Pender Small Cap Opportunities Fund

	Management Fee	Administration Fee
Class A Units	1.95%	0.50%
Class B Units ⁽¹⁾	1.95%	0.50%
Class E Units	Negotiable – maximum 1.95%	0.50%
Class F Units	0.95%	0.50%
Class G Units ⁽¹⁾	0.95%	0.50%
Class I Units	0.80%	0.50%
Class M Units ⁽¹⁾	0.45%	0.50%
Class N Units	0.45%	0.50%
Class O Units ⁽²⁾	Negotiable – maximum 1.95%	Nil

Notes:

- (1) With respect to Class B, Class G and Class M units of the Continuing Fund, performance fees payable are equal to 20% of the amount by which Class B, Class G and Class M units outperform the S&P/TSX Composite Index, subject to a relative high-water mark as disclosed in PSCF's annual financial statements.
- (2) For Class O units, the performance fee is negotiated and is charged directly to unitholders of the Continuing Fund.

Upon completion of the Merger, the fees applicable to the Continuing Fund will remain the same as those applicable to PSCF and, in the case of the new Class H units of the Continuing Fund upon creation, will remain the same as those applicable to the Class H units of the Terminating Fund as at immediately prior to the Merger.

As summarized above, although the Terminating Fund and the Continuing Fund generally have similar management and administration fees in respect of the corresponding classes of units, unitholders are advised that, as noted above, upon completion of the Merger, former Class H unitholders of the Terminating Fund will hold Class A of the Continuing Fund until such time as the new Class H units of the Continuing Fund are created and such Class A units so held are switched to such new Class H units. As a result, if the Merger is completed, and upon such completion, the management fee for former Class H unitholders of the Terminating Fund will increase from 1.65% to 1.95% as a result of holding Class A units of the Continuing Fund. However, as it is expected that such Class A units so held in the Continuing Fund will be switched to Class H units of the Continuing Fund as soon as practicable after the Merger, former Class H unitholders of the Terminating Fund are not expected to be materially adversely impacted in respect of such increase in management fee.

Distributions

The Terminating Fund distributes its net investment income quarterly and its net realized capital gains annually in December of each year. Distributions of the Terminating Fund may consist of net investment income, net realized capital gains and/or a return of capital, and such distributions are automatically reinvested in additional units of the Terminating Fund at no charge or, upon request, paid out in cash to the unitholder.

The Continuing Fund distributes its net investment income and net realized capital gains annually in December. Similar to the Terminating Fund, distributions of the Continuing Fund may consist of net investment income, net realized capital gains and/or a return of capital, and such distributions are

automatically reinvested in additional units of the Continuing Fund at no charge or, upon request, paid out in cash to the unitholder.

Upon the completion of the Merger, unitholders of the Terminating Fund will become subject to the distribution policy applicable to the Continuing Fund.

Risk Ratings, Fund Types and Benchmarks

The fund type, investment risk level and benchmark for the Terminating Fund and the Continuing Fund are as set out in the table below. If the Merger is approved and implemented, units held in the Continuing Fund will be subject to the same attributes as those of PSCF.

	Fund Type	Investment Risk Level	Benchmark
PSMD (Terminating Fund)	Canadian Small/Mid Cap Equity Fund	Medium	S&P/TSX Composite Index
PSCF (Continuing Fund)	Canadian Small Cap Equity Fund	Medium to High	S&P/TSX Composite Index

Valuation Frequency

The Fund has a daily valuation frequency whereas the PSCF has a weekly valuation frequency. The Continuing Fund will continue to have the same weekly valuation frequency as the PSCF.

Because the Merger will result in unitholders of the Terminating Fund holding classes of the Continuing Fund (certain of which are currently closed to additional purchases), following the Merger, any redemptions by unitholders of the Terminating Fund will be processed on a weekly basis. [rather than on a daily basis].

Required Approval

The Proposal is conditional upon receipt of the approval of unitholders of the Fund, as described in this Circular.

On April 15, 2024, Pender presented the terms of the Proposal to the Fund’s Independent Review Committee (“**IRC**”) for its review of potential conflict of interest matters relating to the Proposal. The IRC has determined, after reasonable inquiry, that the Proposal would achieve a fair and reasonable result for the unitholders of both Funds, if implemented, and has provided to Pender a positive recommendation in respect of the Proposal.

While the IRC has determined that the Proposal would achieve a fair and reasonable result for the unitholders of both Funds, it is not the role of the IRC to recommend that unitholders vote in favour of the Proposal. Unitholders should review the proposed Merger and make their own decision.

Approval by unitholders of the Fund must be given by the affirmative vote of at least a majority of the votes cast at the Meeting in respect of the Proposal Resolution by or on behalf of unitholders of record of the Fund present virtually or represented by proxy at the Meeting.

Unitholders of the Fund will be asked to confirm their approval of the Proposal by voting in favour of the Proposal Resolution as set out in Schedule “A” to this Circular.

By approving the Proposal, unitholders will also be authorizing, among other things, any director or officer of Pender or of any successor manager of such Fund to do all such acts and things as may be necessary or desirable in connection with the Proposal including any associated amendments to the Trust Agreement (as

defined below) governing the Fund. If the Proposal Resolution is approved, notwithstanding the receipt of such unitholder approval, Pender will be authorized, in its discretion and in its capacity as manager of the Fund, to elect not to proceed with or delay the implementation of the Proposal for any reason.

Implementation of the Proposal

At the Meeting, unitholders of the Fund will be asked to confirm their approval of the Proposal by voting in favour of the Proposal Resolution set out in Schedule “A” to this Circular. If the Proposal receives all applicable unitholder approvals, it is expected to become effective after the close of business on or about June 28, 2024.

Following the completion of the proposed Merger, unitholders will no longer hold units of the Fund and will instead hold units of the Continuing Fund.

By approving the Proposal, unitholders will also be authorizing, among other things, any director or officer of Pender or of any successor manager of such Fund to do all such acts and things as may be necessary or desirable in connection with the Proposal including any associated amendments to the Trust Agreement (as defined below) governing the Fund. If the Proposal Resolution is approved, notwithstanding the receipt of such unitholder approval, Pender will be authorized, in its discretion and in its capacity as manager of the Fund, to elect not to proceed with or delay the implementation of the Proposal for any reason.

Investment Objective

If the Proposal is approved and implemented, units held in the Fund will become subject to the investment objective applicable to the Continuing Fund, which will remain the same as the current investment objective of the PSCF.

The investment objectives of the Terminating Fund and the Continuing Fund are as follows:

Terminating Fund	Continuing Fund
<p>The Pender Small/Mid Cap Dividend Fund is designed to provide investors with a combination of long-term capital appreciation and a stable quarterly stream of cash distributions. The fund will invest primarily in Canadian securities, with a focus on, but not limited to, dividend paying small/mid cap companies. Assets in the fund may also be held in cash or other securities to the extent that the economic, market, or other conditions make it appropriate.</p>	<p>The Pender Small Cap Opportunities Fund invests in a concentrated portfolio of well-managed businesses, with strong competitive positions, which are overlooked by the market and have the potential for significant capital appreciation. These businesses may be in Canada, the United States or in other foreign jurisdictions with a primary emphasis on companies with a small market capitalization. The fund may also invest in any securities regardless of market capitalization, sector or region, including foreign equities where opportunities warrant. In some situations, the fund may invest directly in companies, through private placements or public offerings, or may acquire previously issued shares, either through the facilities of a stock exchange, quotation system, or by private arrangement.</p>

Investment Strategy

If the Proposal is approved and implemented, units held in the Fund will become subject to the investment strategy applicable to the Continuing Fund, which will remain the same as the current investment strategy of the PSCF.

The investment strategies of the Terminating Fund and the Continuing Fund are as follows:

Terminating Fund	Continuing Fund
<p>The Pender Small/Mid Cap Dividend Fund uses a bottom-up approach to investing as its primary method of security selection. Given the fund's emphasis on companies with cash distributions, there is a focus on the cash flow quality of a business and its ability to generate sustainable excess cash flow. The fund uses a value approach to investing, looking for companies trading below their intrinsic value. The fund will also overlay quantitative analysis to help screen for new ideas and supplement the fundamental analysis.</p> <p>Pender integrates Environmental, Social and Governance ("ESG") factors as part of its investment process through the application of the Sustainability Accounting Standards Board ("SASB") standards, which identify issues most relevant to the financial performance of 77 industries. ESG integration is achieved through the consideration of the factors identified as material to a particular industry in which a particular business operates and incorporated into a proprietary ESG scoring methodology, as one of the many factors considered in the security selection process.</p>	<p>Pender will examine each potential investment for success in light of current economic and market conditions, its industry position, its current financial position, its growth potential, earnings estimates and the quality of its management. Pender will focus on small and medium-sized businesses that have the potential for growth over the long term and whose shares trade at prices reflecting favourable valuations at a discount to their intrinsic value. The fund invests in Canadian and foreign securities; up to 100% of the Fund may be invested in foreign securities.</p> <p>Pender integrates Environmental, Social and Governance ("ESG") factors as part of its investment process through the application of the Sustainability Accounting Standards Board ("SASB") standards, which identify issues most relevant to the financial performance of 77 industries. ESG integration is achieved through the consideration of the factors identified as material to a particular industry in which a particular business operates and incorporated into a proprietary ESG scoring methodology, as one of the many factors considered in the security selection process.</p>

Comparison of Fund Size

As at the close of business on April 19, 2024, the net asset value of the Fund was \$22,160,476 and the net asset value of PSCF was \$294,781,537.

Reasons for and Expected Benefits of the Proposed Merger

Pender is proposing the Merger because the Terminating Fund is not at a viable scale. Additionally, Pender expects that the Merger will result in a more streamlined and simplified Pender product line-up that is easier for Pender investors to understand.

Pender believes that the Merger is in the best interests of the Terminating Fund, despite the Terminating Fund having a different investment objective and valuation frequency (and therefore a different redemption processing frequency) than the Continuing Fund for the following reasons:

- (a) The Continuing Fund will be overall a more viable long-term investment vehicle for existing and potential investors;
- (b) The Terminating Fund is moving into a Continuing Fund, which Pender believes has greater potential to deliver a preferred investment experience based on historical results that generally exhibit greater risk-adjusted returns;
- (c) Following the Merger, the Continuing Fund will have more assets, thereby allowing for increased portfolio diversification opportunities and a smaller proportion of assets set aside for fund redemptions; and
- (d) Unitholders of the Terminating Fund will benefit by moving to the Continuing Fund with a much larger net asset value. In such cases, after the Merger, impacted unitholders will potentially benefit from lower large redemption risks, greater liquidity and lower portfolio transaction costs. Moreover, in respect of the Terminating and Continuing Fund, which are trust funds, a larger Continuing Fund will also have a lower risk of not meeting mutual fund trust status.

Procedure for the Merger

The Merger will be structured as follows:

- (a) prior to the Merger taking effect, if required, the Fund will sell any securities in its portfolio that do not meet the investment objectives and investment strategies of the Continuing Fund, if any. As a result, the Fund may temporarily hold cash or money market instruments and may not be fully invested in accordance with its investment objectives for a brief period of time prior to the Merger taking effect;
- (b) the value of the Fund's portfolio and other assets will be determined at the close of business on the effective date of the Merger, in accordance with the declaration of trust of the Fund;
- (c) the Continuing Fund will acquire the investment portfolio and other assets of the Fund in exchange for units of the Continuing Fund;
- (d) the Continuing Fund will not assume liabilities of the Fund and the Fund will retain sufficient assets to satisfy its estimated liabilities, if any, as of the effective date of the Merger;
- (e) the Fund will distribute a sufficient amount of its net income and net realized capital gains, if any, to unitholders to ensure that it will not be subject to tax for its current tax year;
- (f) the units of the Continuing Fund received by the Fund will have an aggregate net asset value equal to the respective value of the portfolio assets and other assets that the Continuing Fund acquires from the Fund, and the units of the Continuing Fund will be issued at the applicable series net asset value per unit as of the close of business on the effective date of the Merger;
- (g) immediately thereafter, the units of the Continuing Fund received by the Fund will be distributed to unitholders of the Fund in exchange for their units in the Fund on a dollar-for-dollar and, or class-by-class basis; and
- (h) as soon as reasonably possible following the Merger, the Fund will be wound up.

Pender is proposing to effect the Merger on a non-taxable basis – see “*Canadian Federal Income Tax Considerations – Tax Consequences of the Merger*” below.

Suspending Redemption and Purchases of Units of the Fund

Purchases and switches into the Fund have been temporarily closed to new investors as of the Record Date in anticipation of the Meeting. Existing unitholders of the Fund, as of the Record Date, continue to be allowed to make purchases and redemptions, as usual.

If the Proposal is approved by the unitholders of the Fund, purchases and redemptions of units of the Terminating Fund for existing unitholders, as at the Record Date, will be allowed until the close of business on the business day immediately before the effective date of the Merger (i.e., if the effective date of the Merger is June 28, 2024, we will not process purchase or redemption orders for units of the Fund that are received by us after the close of business on June 27, 2024). The day after the effective date of the Merger, unitholders of the Fund will be able to redeem or switch out of the units of the Continuing Fund that they acquire upon completion of the Merger.

The Merger will result in unitholders of the Terminating Fund holding classes of the Continuing Fund (certain of which are currently closed to additional purchases), and the Continuing Fund will continue to have the same weekly valuation frequency as the PSCF. As a result, following the completion of the proposed Merger, only automatic withdrawal plans that have been established with respect to the Fund will be re-established with the Continuing Fund. A unitholder can re-establish an automatic purchase plan in one of the applicable open classes of the Continuing Fund. Unitholders may change or cancel any automatic purchase plan or automatic withdrawal plan at any time.

Costs of the Proposal

The Fund will not bear any of the costs and expenses associated with the Proposal. Such costs will be borne by Pender, as manager of the Fund. These costs may include legal fees, proxy solicitation, printing and mailing costs and regulatory fees. There are no fees charged by the Fund for the redemption of units of any classes of the Fund. However, there may be some administrative fees or costs charged by your dealer which are beyond the control of Pender.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

This is a general summary of the principal Canadian federal income tax considerations of the Merger described above relevant to a unitholder of the Terminating Fund who is an individual (other than a trust) resident in Canada who deals with the Terminating Fund at arm’s length and who holds units of the Terminating Fund as capital property. This summary is based on the current provisions of the Income Tax Act (Canada) (the “**Tax Act**”) and the regulations thereunder (the “**Tax Regulations**”), all specific proposals to amend the Tax Act and the Tax Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current administrative practices and assessing policies published by the Canada Revenue Agency (“**CRA**”). This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative action or decision, or changes in the administrative practices of the CRA, nor does it consider other federal, provincial, territorial or foreign income tax consequences.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular unitholder. Accordingly, unitholders should consult with their own tax

advisor for advice with respect to the tax consequences of the Merger having regard to their own particular circumstances.

Redemption of Units Prior to the Merger

If you redeem units of the Terminating Fund before the date of the Merger, you will realize a capital gain (or capital loss) to the extent that the proceeds of this redemption exceed (or are exceeded by) the aggregate of your adjusted cost base of the units and any costs of redemption. Unless you hold your units in a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan, registered education savings plan, registered disability savings plan or tax-free savings account (collectively, “**Registered Plans**”), one-half of any such capital gain must be included in computing your income and one-half of any such capital loss may be deducted against taxable capital gains, subject to, and in accordance with, the detailed provisions of the Tax Act.

If units are held by a Registered Plan, gains realized on a redemption of units will be exempt from tax until withdrawn from the Registered Plan, other than withdrawals from a tax-free savings account.

Tax Consequences of the Merger

The Fund intends to jointly elect with the PSCF that the Merger be a “qualifying exchange” as defined in subsection 132.2(1) of the Tax Act and will not trigger capital gains or losses for unitholders.

Prior to the date of the Merger, securities in the portfolio of the Terminating Fund will need to be liquidated if they do not meet the investment objectives of the Continuing Fund. This will result in a realized capital gain or loss to the Terminating Fund. Accordingly, the Fund will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the particular asset exceed (or are exceeded by) the adjusted cost base of the particular portfolio asset and any reasonable cost of disposition. To ensure that the Terminating Fund will not be subject to tax for its current taxation year, the Fund will distribute a sufficient amount of its net income (including net realized capital gains) to unitholders. Unless units are held in a Registered Plan, unitholders of the Terminating Fund will receive a statement for income tax purposes identifying the unitholder’s share of the Fund’s income and the income reported thereon must be included in your income for 2024. If units are held in a Registered Plan, distributions will generally be exempt from tax until withdrawn from the Registered Plan, other than withdrawals from a tax-free savings account.

The Terminating Fund will transfer its assets to the Continuing Fund in exchange for securities of the Continuing Fund. For income tax purposes, each transferred asset of the Terminating Fund will be deemed to have been disposed of for:

- (i) its fair market value, where there is an accrued loss on the asset and
- (ii) an amount, elected by the Terminating Fund and the Continuing Fund, between the Terminating Fund’s adjusted cost base and the fair market value of the asset, where the asset has an accrued gain. The Funds intend to elect an amount to realize gains (to the extent possible) on the transferred assets described in (ii) to offset the losses realized on the transfer of the assets described in (i) above and utilize any existing losses in the Continuing Fund.

The cost to the Terminating Fund of the units of the Continuing Fund received in the course of the Merger will be equal to the fair market value of the Terminating Fund’s assets transferred to the Continuing Fund. The distribution by the Terminating Fund of units of the Continuing Fund to unitholders in exchange for units of the Continuing Fund will not result in a capital gain or loss to

the Terminating Fund, provided that such distribution occurs immediately after the transfer of the assets to the Continuing Fund.

The disposition of securities of the Terminating Fund in exchange for securities of the Continuing Fund will not result in a capital gain or loss to the Fund or to unitholders of the Fund. The aggregate cost for tax purposes of the securities of a Continuing Fund received by a unitholder of the Fund will be equal to the unitholder's aggregate adjusted cost base of the securities of the Fund immediately prior to the exchange. In determining the adjusted cost base of the unitholder's securities of the Continuing Fund, the cost of the new securities of the Continuing Fund will be averaged with the adjusted cost base of any other identical securities of the Continuing Fund already held by the securityholder as capital property.

Tax Consequences of Investing in the Continuing Fund

The Continuing Fund is a mutual fund trust within the meaning of the Tax Act. As a result of the Merger, investors will hold units of the Continuing Fund, which is also a mutual fund trust within the meaning of the Tax Act. Please refer to the simplified prospectus of the Continuing Fund, which unitholders can obtain at no cost by contacting Pender toll-free at 1-866-377-4743, by fax at 604-563-3199, by email at info@penderfund.com or by downloading from the internet at www.sedarplus.ca or www.penderfund.com, for a description of the income tax consequences of acquiring, holding and disposing of units of the Continuing Fund.

Eligibility for Registered Plans

Units of each of the Fund and Continuing Fund are qualified investments under the Tax Act for Registered Plans.

**Pender, as manager of the Fund, recommends that you vote
IN FAVOUR of the Proposal Resolution.**

MANAGEMENT OF THE FUND

Manager

Under the management agreement (the "**Management Agreement**") between Pender and the Fund, among other funds (collectively with the Fund, the "**Pender Funds**"), Pender is appointed as the manager of the Fund. As manager, Pender is responsible for directing the affairs and managing the business of the Fund, administering or arranging for the administration of the day-to-day operations of the Fund, including investment decisions, execution of investment orders, sales of units, maintaining records, fund reporting, voting of portfolio securities and custodial arrangements. The Management Agreement also sets forth the fees payable to Pender as manager of the Fund.

Pender's appointment as manager of the Pender Funds continues indefinitely but may be terminated by Pender or the Pender Funds upon giving 60 days' prior notice or such shorter notice as Pender and the Pender Funds may agree. The Management Agreement may also be terminated by the Pender Funds or Pender upon giving notice in writing to the other party if the other party ceases to carry on business, becomes bankrupt or insolvent, resolves to wind-up or liquidate or if a receiver of any of its assets is appointed or if the other party commits a material breach of the Management Agreement which is not remedied within 30 days of receipt of notice of such breach.

The names and municipalities of residence of Pender's directors and officers are as follows:

Name and Municipality of Residence	Position with Pender
DAVID BARR North Vancouver, BC	Director, Chief Executive Officer and Ultimate Designated Person
KELLY EDMISON Vancouver, BC	Director and Chairman of the Board of Directors
FELIX NARHI North Vancouver, BC	Director and Chief Investment Officer
GINA JONES Vancouver, BC	Chief Financial Officer and Corporate Secretary
CARLO DESIERTO Richmond, BC	President
DONALD CAMPBELL Winnipeg, MB	Director

The following table sets out the persons or companies who, as at the Record Date, are owners on record of, or who own beneficially, directly or indirectly, more than 10% of any class or series of voting securities of Pender:

Name	Class of Shares	Type of Ownership	Number of Shares	% of Outstanding Shares
408198 BC Ltd. ⁽¹⁾	Common	Beneficial	300,000	11%
Arbutus Family Holdings Ltd. ⁽¹⁾⁽²⁾	Common	Beneficial	300,000	11%
Felix Narhi	Common	Direct	391,662	15%
Garibaldi Venture Partners Ltd. ⁽³⁾	Common	Beneficial	1,122,600	42%

Notes:

- (1) 408198 BC Ltd. is a British Columbia company which is 100% owned by William Rand, a resident of British Columbia.
- (2) Arbutus Family Holdings Ltd. is a British Columbia company which is 100% owned by Kelly Edmison, a resident of British Columbia.
- (3) Garibaldi Venture Partners Ltd. is a British Columbia company which is 100% owned by David Barr, a resident of British Columbia.

Other than shares of Pender held as noted above and ownership of units of the Fund, none of the above persons was indebted to or had any transaction or arrangement with the Fund since the start of the last fiscal year of the Fund.

Donald Campbell, a director of Pender, is the principal of the firm Canadian Compliance & Regulatory Law, which provides ongoing regulatory advice to Pender, as the manager of the Fund. Arbutus Family Holdings Ltd., which is 100% owned by Kelly Edmison, is a company that provides consulting services to Pender, as the manager of the Fund.

As compensation for the services that it provides to the Fund as manager, Pender receives a management fee and an administration fee calculated, in accordance with the terms of the Management Agreement. For the period of January 1, 2023 to December 31, 2023, the Fund paid management and administration fees to Pender in the aggregate amount of \$303,986 (including applicable taxes) and for the period of January 1, 2024 to the date of this Circular, management and administration fees were incurred in the aggregate amount of \$92,012 (including applicable taxes). For further details regarding the proposed fee structure of the Continuing Fund following completion of the Merger and the differences as compared to the current fee structure of the Fund, see the section titled “*The Proposal – Fee Structure*” in this Circular.

Portfolio Management

Pender is also the portfolio advisor of the Fund and the PSCF. The following table sets forth information in respect of the persons employed by Pender who are currently principally responsible for day-to-day management of the Fund and the PSCF.

Fund	Name and Municipality of Residence	Position with Pender
PSMD (Terminating Fund)	DAVID BARR, NORTH VANCOUVER	Director, Chief Executive Officer, Ultimate Designated Person, and Portfolio Manager
	AMAN BUDHWAR, MISSISSAUGA	Portfolio Manager
PSCF (Continuing Fund)	DAVID BARR, NORTH VANCOUVER	Director, Chief Executive Officer, Ultimate Designated Person, and Portfolio Manager

If the Proposal is approved and implemented, David Barr will continue to be the principal person responsible for day-to-day management of the Continuing Fund.

Other than ownership of units of the Fund, the above individuals were not indebted to and did not have any transaction or arrangement with the Fund since the start of the last fiscal year of the Fund.

Pender, as the portfolio advisor of the Fund, makes decisions regarding the execution of portfolio transactions with respect to the cash and cash equivalent portions of the Fund, including, when applicable, the selection of markets, brokers and the negotiation of commissions. If and when effecting such portfolio transactions, the portfolio advisors place brokerage business with investment dealers and brokers on the basis of the best price and service. To the extent that the execution offered by more than one dealer or broker are comparable, the portfolio advisor may, in its discretion, determine to effect transactions with the dealers and brokers who provide research, statistical and other similar services to the Fund or to the portfolio advisor at transaction prices which reflect those services.

The Fund does not have agreements or arrangements in place with any dealer for the portfolio transactions regarding the Fund; however, the portfolio advisor for the Fund may, from time to time, receive research that it uses in connection with its management of the Fund. This research may or may not be used in connection with the management of the Fund, and is not a factor used in determining the dealers through whom it will place portfolio transactions for the Fund. The portfolio advisor for the Fund reviews each trade for the Fund to determine, among other things, whether the Fund received reasonable benefit considering the applicable research, if any is received, and the amount of brokerage commissions paid. The names of the dealer(s) that provided Pender, in its capacity as manager of the Fund, with the services described above

in connection with the portfolio transactions for the Fund during the last financial year of the Fund will be provided on request by contacting Pender at 1-866-377-4743 or at info@penderfund.com.

Other than the management and administration fees noted above, Pender currently receives no other compensation for the services that it provides to the Fund as portfolio advisor. For further details regarding the proposed fee structure of the Continuing Fund following completion of the Merger and the differences as compared to the current fee structure of the Fund, see the section titled “*The Proposal – Fee Structure*” in this Circular.

Trustee

Pender is also the trustee of the Fund and the Continuing Fund (the “**Trustee**”), which is governed by the Nineteenth Amended and Restated Mutual Fund Trust Agreement dated June 16, 2023 (the “**Trust Agreement**”). The Trust Agreement sets forth the terms governing the creation, operation, management and administration of each fund, including the powers and duties of the Trustee, the attributes of the units of a fund, procedures for purchase, exchange and redemption of units, recordkeeping, calculation of the fund’s income and other administrative procedures.

INTEREST OF PENDER IN THE PROPOSAL

Except as disclosed in this Circular, to the knowledge of the directors and officers of Pender, no person who has been a director or officer of Pender at any time since the beginning of Pender’s most recently completed financial year, or any associate or affiliate of those persons, has any interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in the Proposal.

As described above, Pender acts as the manager, portfolio advisor and Trustee of the Fund and the Continuing Fund and is responsible for managing the overall business of the Fund and the Continuing Fund. As compensation for these services, Pender receives certain fees. Additional details concerning the management fees, performance fees and other expenses paid by any of Pender’s mutual funds in prior years are contained in the audited annual financial statements of the fund. For further details regarding the proposed fee structure of the Continuing Fund and the differences as compared to the current fee structure of the Fund, see the section titled “*The Proposal – Fee Structure*” in this Circular.

None of the insiders of Pender is paid or otherwise compensated or reimbursed for expenses by the Fund or the Continuing Fund. The Fund and the Continuing Fund have not paid, and are not obligated to pay, any remuneration to any director or officer of Pender.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As at the Record Date, the Fund had the following numbers of issued and outstanding units:

	Number of Units Issued and Outstanding
Class A Units	83,179
Class E Units	70,868
Class F Units	374,874
Class H Units	180,830
Class I Units	548,429
Class O Units	219,120
TOTAL	1,477,300

Unitholders of the Fund are entitled to one vote for each whole unit held. Holders of units of record on the Record Date who hold in aggregate one or more whole units of the Fund will be entitled to vote at the Meeting, except to the extent that: (a) such units are redeemed prior to the Meeting or (b) a transferee of units after the Record Date complies with the required procedures in order to qualify to vote the transferred units and all documentation necessary to transfer the units on Pender's records as manager of the Fund is received by Pender by not later than five days before the date of the Meeting. If your units were transferred to you from another holder after the Record Date (for example, in the case of the death of a holder), you should contact your investment advisor to determine the documentation necessary to transfer the units on Pender's records as manager of the Fund. You will only be able to vote the transferred units after the transfer has been recorded on Pender's records.

In order for the Meeting to be duly constituted, a quorum must be established. Quorum for the Fund requires one or more unitholders of the Fund entitled to vote at the Meeting whether virtually or by proxy who hold, in the aggregate, at least 10 units entitled to be voted at the Meeting.

Other than as disclosed below, to the knowledge of the directors and executive officers of Pender, as manager of the Fund, as of the Record Date, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the voting rights attached to the units of all classes of the Fund entitled to be voted at the Meeting. **As of the Record Date, Pender holds units of the Fund, as set out below, but will not be exercising the entitlement to vote attached to these units:**

Name of Unitholder	Type of Ownership (Beneficial or Direct)	Number of Units	Percentage of Outstanding Units
Pender Partners Fund	Direct	205,493	13.91%

As of the Record Date, Pender's subsidiaries, associated entities, directors and executive officers hold, directly or indirectly, the following outstanding units of the Fund, but will not be exercising the entitlement to vote attached to these units.

Name of Unitholder	Type of Ownership (Beneficial or Direct)	Number of Units	Percentage of Outstanding Units
Arbutus Family Holdings Ltd. ⁽¹⁾	Beneficial	19,905	1.35%
Kelly Edmison	Direct	10,400	0.70%
Donald Campbell	Direct	5,630	0.38%
David Barr	Direct	3,853	0.26%
Gina Jones	Direct	1,913	0.13%
TOTAL		2.82%

(1) Arbutus Family Holdings Ltd. is a British Columbia company which is 100% owned by Kelly Edmison, a resident of British Columbia.

AUDITOR

The auditor of the Fund is KPMG LLP, Chartered Professional Accountants, located at PO Box 10426 777 Dunsmuir Street, Vancouver BC V7Y 1K3.

ADDITIONAL INFORMATION

Additional information regarding the Fund, including financial information regarding the Fund, is contained in the simplified prospectus, interim and annual management reports of fund performance and annual audited and interim unaudited financial statements for the Fund. You may obtain a copy of the simplified prospectus for the Fund and its most recent interim and annual financial statements and management reports of fund performance by contacting us at Suite 1830 - 1066 West Hastings Street, Vancouver, BC V6E 3X2, by email at info@penderfund.com or by telephone at 1-866-377-4743. You may also find these documents and other information about the Fund at www.penderfund.com or on SEDAR+ at www.sedarplus.com.

CERTIFICATE

The contents of this Circular and the sending of this Circular to the unitholders of the Fund have been approved by the board of directors of Pender, as manager of the Fund.

DATED at Vancouver, British Columbia this 24th day of April, 2024.

**PENDERFUND CAPITAL MANAGEMENT
LTD.**, as manager of the Fund

(signed) David Barr
Chief Executive Officer & Director

SCHEDULE "A"

PROPOSAL RESOLUTION

BE IT RESOLVED THAT:

1. the merger of the Pender Small/Mid Cap Dividend Fund (the "**Fund**") with the Pender Small Cap Opportunities Fund (the "**PSCF**" or the "**Continuing Fund**"), all as described in the management information circular dated April 24, 2024 (the "**Circular**"), and including the investment of the Fund's portfolio assets in cash immediately prior to the completion of the Merger (as defined in the Circular) is hereby authorized and approved;
2. PenderFund Capital Management Ltd. ("**Pender**"), as manager of the Fund, is hereby authorized to complete all transactions contemplated in connection with the Merger, including, among other things, to:
 - (a) sell the net assets of the Fund to the Continuing Fund in exchange for securities of the Continuing Fund to be issued at the applicable series net asset value per security as the close of business on the effective date of the Merger;
 - (b) immediately thereafter, distribute the securities of the Continuing Fund that are received by the Fund to the unitholders of the Fund in exchange for all of such unitholders' existing securities held in the Fund, on a dollar-for-dollar and class-by-class basis, all as further described in the Circular;
 - (c) wind up the Fund as soon as reasonably possible following the Merger taking effect; and
 - (d) amend the declaration of trust of the Fund as necessary or advisable in connection with the Merger, as determined in the sole discretion of any one director or officer of Pender, as manager of the Fund;
3. any director or officer of Pender and of any successor manager of the Fund is authorized and directed to execute or cause to be executed and to deliver or cause to be delivered, and to file or cause to be filed, all such documents, agreements, instruments and filings and to do or cause to be done all such other acts and things as such director or officer shall determine to be necessary or desirable in order to carry out the intent of or in connection with the Merger or this resolution and the matters authorized hereby, including any amendments to, or novations of, any document, agreement, instrument or filing, including, without limitation, the trust agreement governing the Fund, such determination to be conclusively evidenced by his or her execution, delivery or filing of such document, agreement, instrument or filing or the doing of any such act or thing; and
4. Pender, as manager of the Fund, and any successor manager of the Fund, be and are each hereby authorized to revoke this resolution or elect not to proceed with, or delay the implementation of, the Merger, as the case may be, in each case for any reason whatsoever in their sole and absolute discretion, without further approval of the unitholders of the Fund, at any time prior to the implementation of the Merger.