

Pender Alternative Special Situations Fund

Six months ended June 30, 2024

Semi-Annual Management Report of Fund Performance

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

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



Pender Alternative Special Situations Fund

Six months ended June 30, 2024

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

The net assets of the Pender Alternative Special Situations Fund (the "Fund") were \$2,486,274 as at June 30, 2024 versus \$1,705,594 as at December 31, 2023. Of this \$780,680 increase, \$201,919 is attributable to positive investment performance and \$578,761 is attributable to net unitholder purchases of Fund units.

For the six months ended June 30, 2024 (the "period"), Class A units of the Fund generated a total return of 14.0%. 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. Please see the "Past Performance" section for the performance of the Fund's other classes.

The Fund's broad-based benchmark, the S&P/TSX Composite Index ("S&P/TSX"), returned 6.1% during the period. 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.

As at the end of the period, the Fund was 69.8% invested in Canada, 39.0% in the United States and 4.1% internationally and had a bank overdraft of 12.9%. The Fund's cash position may change over time as a result of portfolio transactions. The Fund's investment portfolio is concentrated and not diversified in the conventional sense. The Fund's top 10 holdings account for 54.6% of the Fund's net assets at the end of the period. This concentration may lead to varied results over any given period.

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 period. Please read the caution regarding forward-looking statements located on the last page of this document.

The Fund transitioned from a traditional mutual fund to a liquid alternative in 2022. This allows the Fund additional tools for portfolio management, such as shorting securities and adding leverage to positions where appropriate. In 2024, key positive individual contributors to the Fund's performance for the first half of the year included Glass House Brands Inc., Copperleaf Technologies Inc., and 5N Plus Inc. Conversely, Sigma Lithium Corporation, Stratasys Ltd., and The Cannabist Company Holdings Inc. had the largest adverse impact.

The overall sector exposure of the Fund is determined by stock selection decisions and may shift from time to time. As at June 30, 2024 we were weighted toward holdings in the Information Technology, Health Care, and Energy sectors, because those are the sectors where we currently believe we are finding the best investment opportunities and, equally important, because they contain businesses for which we are best equipped to assess value. These top three sectors accounted for 52.9% of the Fund at the end of the period.

Recent Developments

Financial markets remained buoyant through the first half of 2024, underpinned by a resilient economic backdrop and continued cooling of inflationary trends. Against this backdrop, investor confidence grew that the Federal Reserve's battle with inflation is behind us, giving visibility to a pivot in monetary policy towards cutting interest rates in the second half of 2024. Highlighting this positive investor sentiment, we saw benchmark equity indexes rally to fresh highs, while credit spreads tightened to well below 30-year averages in fixed income markets.

One of the key themes for equity markets that continued in the first half of 2024, was the narrow leadership that has driven equity markets to new highs and concentrated in a handful of mega-cap technology companies. While we don't invest in a broad-based index, we have remained consistent with our investment philosophy and process that has delivered the long-term results.

We remained vigilant in our analysis to identify idiosyncratic opportunities that are mispriced by the market where we have visibility to a potential catalyst to unlock that value. We are positioning the Fund to be opportunistic and take advantage of a variety of new opportunities as they emerge. This includes a focus on finding growth companies with positive or secular tailwinds that we believe are mispriced; companies with dislocated valuations with identifiable catalysts to narrow the valuation gap, M&A driven investment opportunities and other short-term mispricing and capital markets driven trading opportunities.

Independent Review Committee ("IRC") Appointments & Resignations

Effective March 4, 2024, John Webster stepped down from the Independent Review Committee and John DeLucchi joined the Independent Review Committee.

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Related Party Transactions

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

As at the end of the period, parties related to the Manager collectively held 15% of the Fund’s units.

Management Fees

The Fund pays management and administration fees calculated as a percentage of the net asset value of each respective class. The Management Expense Ratio (“MER”) before applicable taxes such as GST or HST for each class does not exceed certain levels as set out in the Fund’s offering documents. The fees are calculated at the close of business on each valuation day and are paid monthly. In exchange for the administration fee, the Manager pays the operating costs of the Fund. During the period the Manager waived management, administration and performance fees and custody related transaction costs for 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 18% of the management fees paid by the Fund to the Manager for the period.

Performance Fees

The Manager is also entitled to a performance fee plus applicable taxes such as GST or HST on all classes of units of the Fund. For Class O units, this fee is or will be charged directly to Unitholders, as applicable. The performance fee is equal to 15% of the amount by which the total return of the class of units exceeds a 6% hurdle rate, for the period since the performance fee was last paid, subject to accumulation in years where no performance is paid, provided that the total return of the relevant class of units for such period exceeds the previous high-water mark. The high-water mark is the net asset value of the applicable class of units to which it applies as at the most recent determination date on which a performance fee was payable. Performance fees will be calculated and accrued daily, and such accrued fees will be payable by the Fund at the end of each year. The Manager has reserved the right to change the year for which any performance fee may be paid by a Fund. The Manager, at its discretion, may reduce or waive performance fees.

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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 period and calendar years indicated.

Fund's Net Assets Per Unit (a)

	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)	2020 (\$)
Class A					
Net Assets, beginning of period	18.89	15.47	18.75	14.80	10.00
Increase (decrease) from operations:					
Total revenue	0.14	0.98	0.18	0.21	0.08
Total expenses	(0.15)	(0.43)	(0.06)	(0.16)	(0.04)
Realized gains (losses)	0.30	1.81	(4.11)	4.26	2.67
Unrealized gains (losses)	1.92	1.32	(0.02)	(0.30)	4.80
Total increase (decrease) from operations (b)	2.21	3.68	(4.01)	4.01	7.51
Distributions:					
From income (excluding dividends)	-	-	(0.12)	(0.01)	-
From dividends	-	(0.43)	(0.07)	(0.08)	(0.06)
From capital gains	-	-	-	(1.46)	(2.64)
Return of capital	-	-	-	-	-
Total distributions (b), (c)	-	(0.43)	(0.19)	(1.55)	(2.70)
Net Assets, end of period	21.22	18.89	15.47	18.75	14.80
Class E					
Net Assets, beginning of period	10.05	8.25	10.00	10.00	
Increase (decrease) from operations:					
Total revenue	0.08	0.52	0.12	0.09	
Total expenses	(0.08)	(0.23)	(0.04)	(0.07)	
Realized gains (losses)	0.17	0.88	(2.44)	1.11	
Unrealized gains (losses)	1.00	0.78	0.44	(0.04)	
Total increase (decrease) from operations (b)	1.17	1.95	(1.92)	1.09	
Distributions:					
From income (excluding dividends)	-	-	(0.06)	(0.00)	
From dividends	-	(0.23)	(0.04)	(0.05)	
From capital gains	-	-	-	(0.78)	
Return of capital	-	-	-	-	
Total distributions (b), (c)	-	(0.23)	(0.10)	(0.83)	
Net Assets, end of period	11.31	10.05	8.25	10.00	

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

	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)	2020 (\$)
Class F					
Net Assets, beginning of period	18.97	15.47	18.75	14.80	10.00
Increase (decrease) from operations:					
Total revenue	0.09	0.95	0.19	0.19	0.08
Total expenses	(0.15)	(0.43)	(0.07)	(0.15)	(0.04)
Realized gains (losses)	0.33	1.91	(3.64)	4.24	2.67
Unrealized gains (losses)	1.37	1.13	0.07	(0.56)	4.80
Total increase (decrease) from operations (b)	1.64	3.56	(3.45)	3.72	7.51
Distributions:					
From income (excluding dividends)	-	-	(0.12)	(0.01)	-
From dividends	-	(0.42)	(0.07)	(0.08)	(0.06)
From capital gains	-	-	-	(1.46)	(2.64)
Return of capital	-	-	-	-	-
Total distributions (b), (c)	-	(0.42)	(0.19)	(1.55)	(2.70)
Net Assets, end of period	21.22	18.97	15.47	18.75	14.80
Class H					
Net Assets, beginning of period	10.05	8.25	10.00	10.00	
Increase (decrease) from operations:					
Total revenue	0.00	0.51	0.10	0.09	
Total expenses	(0.07)	(0.23)	(0.03)	(0.07)	
Realized gains (losses)	(0.86)	0.95	(2.47)	1.30	
Unrealized gains (losses)	3.42	0.80	0.44	(0.62)	
Total increase (decrease) from operations (b)	2.49	2.03	(1.96)	0.70	
Distributions:					
From income (excluding dividends)	-	-	(0.06)	(0.00)	
From dividends	-	(0.23)	(0.04)	(0.05)	
From capital gains	-	-	-	(0.78)	
Return of capital	-	-	-	-	
Total distributions (b), (c)	-	(0.23)	(0.10)	(0.83)	
Net Assets, end of period	-	10.05	8.25	10.00	
Class I					
Net Assets, beginning of period	10.01	8.25	10.00	10.00	
Increase (decrease) from operations:					
Total revenue	0.08	0.46	0.09	0.14	
Total expenses	(0.08)	(0.23)	(0.03)	(0.11)	
Realized gains (losses)	0.17	0.76	(2.41)	0.68	
Unrealized gains (losses)	0.76	1.11	0.22	(2.97)	
Total increase (decrease) from operations (b)	0.93	2.10	(2.13)	(2.26)	
Distributions:					
From income (excluding dividends)	-	-	(0.06)	(0.00)	
From dividends	-	(0.24)	(0.04)	(0.05)	
From capital gains	-	-	-	(0.78)	
Return of capital	-	-	-	-	
Total distributions (b), (c)	-	(0.24)	(0.10)	(0.83)	
Net Assets, end of period	11.30	10.01	8.25	10.00	

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

	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)	2020 (\$)
Class O					
Net Assets, beginning of period	10.04	8.25	10.00	10.00	
Increase (decrease) from operations:					
Total revenue	0.08	0.50	0.11	0.06	
Total expenses	(0.08)	(0.23)	(0.04)	(0.05)	
Realized gains (losses)	0.17	0.93	(2.19)	0.78	
Unrealized gains (losses)	1.07	0.83	0.43	0.03	
Total increase (decrease) from operations (b)	1.24	2.03	(1.69)	0.82	
Distributions:					
From income (excluding dividends)	-	-	(0.06)	(0.00)	
From dividends	-	(0.23)	(0.04)	(0.05)	
From capital gains	-	-	-	(0.78)	
Return of capital	-	-	-	-	
Total distributions (b), (c)	-	(0.23)	(0.10)	(0.83)	
Net Assets, end of period	11.31	10.04	8.25	10.00	

(a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under IFRS Accounting Standards. Class H was closed on June 28, 2024.

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

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

Ratios and Supplemental Data

	2024	2023	2022	2021	2020
Class A					
Total net asset value (\$000s) (a)	341	314	310	420	131
Number of units outstanding (a)	16,051	16,622	20,022	22,408	8,870
Management expense ratio before performance fee (b)	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio (b)	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	5.76%	5.32%	2.67%	2.62%	2.50%
Trading expense ratio (d)	1.41%	2.51%	0.42%	1.17%	0.85%
Portfolio turnover rate (e)	37.54%	105.63%	85.07%	161.57%	77.56%
Net asset value per unit (\$) (a)	21.22	18.89	15.47	18.75	14.80
Class E					
Total net asset value (\$000s) (a)	371	294	185	120	
Number of units outstanding (a)	32,799	29,267	22,395	12,009	
Management expense ratio before performance fee (b)	0.00%	0.00%	0.00%	0.00%	
Management expense ratio (b)	0.00%	0.00%	0.00%	0.00%	
Management expense ratio before absorptions (c)	3.41%	3.18%	0.61%	0.67%	
Trading expense ratio (d)	1.41%	2.51%	0.42%	1.17%	
Portfolio turnover rate (e)	37.54%	105.63%	85.07%	161.57%	
Net asset value per unit (\$) (a)	11.31	10.05	8.25	10.00	

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Ratios and Supplemental Data (cont'd)

	2024	2023	2022	2021	2020
Class F					
Total net asset value (\$000s) (a)	960	283	281	354	131
Number of units outstanding (a)	45,251	14,929	18,172	18,885	8,870
Management expense ratio before performance fee (b)	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio (b)	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	6.09%	4.22%	1.61%	1.59%	1.50%
Trading expense ratio (d)	1.41%	2.51%	0.42%	1.17%	0.85%
Portfolio turnover rate (e)	37.54%	105.63%	85.07%	161.57%	77.56%
Net asset value per unit (\$) (a)	21.22	18.97	15.47	18.75	14.80
Class I					
Total net asset value (\$000s) (a)	808	494	207	384	
Number of units outstanding (a)	71,559	49,308	25,113	38,387	
Management expense ratio before performance fee (b)	0.00%	0.00%	0.00%	0.00%	
Management expense ratio (b)	0.00%	0.00%	0.00%	0.00%	
Management expense ratio before absorptions (c)	5.09%	4.07%	1.45%	1.51%	
Trading expense ratio (d)	1.41%	2.51%	0.42%	1.17%	
Portfolio turnover rate (e)	37.54%	105.63%	85.07%	161.57%	
Net asset value per unit (\$) (a)	11.30	10.01	8.25	10.00	
Class O					
Total net asset value (\$000s) (a)	6	6	5	5	
Number of units outstanding (a)	561	561	548	541	
Management expense ratio before performance fee (b)	0.00%	0.00%	0.00%	0.00%	
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)	1.41%	2.51%	0.42%	1.17%	
Portfolio turnover rate (e)	37.54%	105.63%	85.07%	161.57%	
Net asset value per unit (\$) (a)	11.31	10.04	8.25	10.00	

(a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under IFRS Accounting Standards. Class H was closed on June 28, 2024.

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

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

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

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

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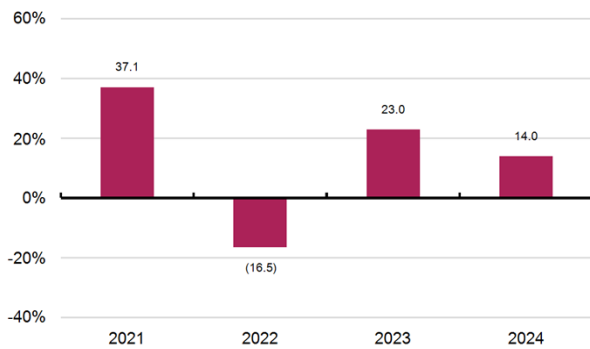
Past Performance

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 H units of the Fund is not available for disclosure because it was closed during the period.

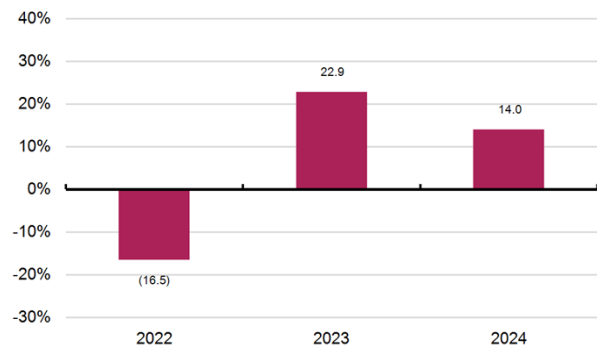
Period-by-Period Returns

To illustrate how the Fund's performance has varied over time, the following bar charts show the Fund's performance for the six-month period ended June 30, 2024 and for each of the previous 12-month periods ended December 31. 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 period would have increased or decreased by the last day of the period.

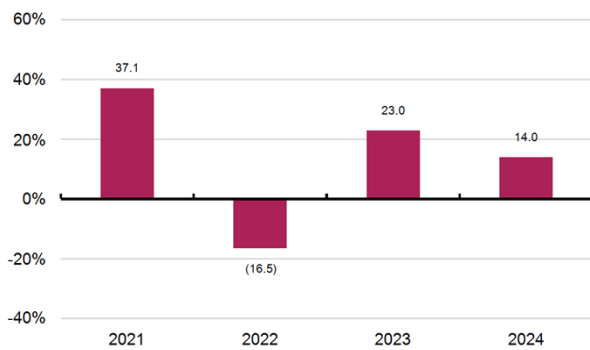
Class A



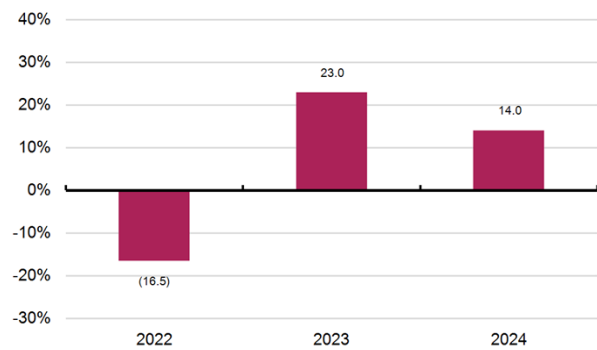
Class E



Class F



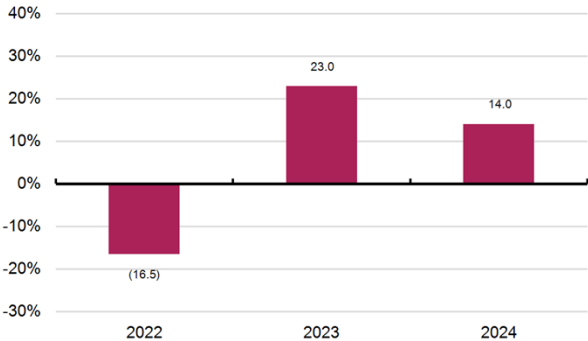
Class I



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Class O



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Summary of Investment Portfolio

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

Top 25 Holdings

	% of Net Assets
GH Group, Inc., Preferred, Series 'C', 20.00%	7.8
Copperleaf Technologies Inc.	6.7
dentalcorp Holdings Ltd.	6.6
Altius Renewable Royalties Corp.	5.8
Burford Capital Ltd.	5.5
Saturn Oil & Gas Inc.	5.0
Thinkific Labs Inc.	4.5
Anterix Inc.	4.4
5N Plus Inc.	4.2
Glass House Brands Inc.	4.1
Partners Value Investments L.P.	4.1
D2L Inc.	3.9
Profound Medical Corp.	3.4
Sylogist Ltd.	3.4
Athabasca Oil Corp.	3.2
ARC Resources Ltd.	3.1
Cannabist Co. Holdings Inc. (The)	3.0
AdvisorShares Pure US Cannabis ETF	2.9
Glass House Brands Inc., strike price \$5.00, expiry 2027/08/31	2.9
Westaim Corp. (The)	2.9
Spartan Delta Corp.	2.4
Sealed Air Corp.	2.3
Hammond Power Solutions Inc.	2.2
Haivision Systems Inc.	2.1
NexGen Energy Ltd.	2.1

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Composition of the Portfolio

	% of Net Assets
Exchange-traded fund(s)	2.9
Equities	
Information technology	18.7
Health care	18.5
Energy	15.7
Financial services	14.3
Industrials	12.1
Materials	6.7
Utilities	5.8
Consumer discretionary	5.5
Consumer staples	5.1
Communication services	4.4
Total equities	106.8
Warrants	3.2
Total investments	112.9
Cash (Bank overdraft)	(12.9)
Other assets less liabilities	0.0
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 a guarantee 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 conditions, political and market factors around the world; interest rates and inflation; fiscal and monetary policy; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings.

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



Pender Alternative Special Situations Fund

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