

No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise. None of the securities described in this document nor the Fund are registered with the United States Securities and Exchange Commission.

PENDER

PenderFund Capital Management Ltd.

SIMPLIFIED PROSPECTUS for

Pender US Small/Mid Cap Equity Fund

Offering Class A, Class E, Class F, Class O

November 15, 2024

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PART A – GENERAL DISCLOSURE

INTRODUCTION

This document contains selected important information to help you make an informed investment decision and to help you understand your rights as an investor. Throughout this document:

- *We, us, the Manager, or Pender* refers to PenderFund Capital Management Ltd., the Manager of the Fund.
- *Fund* refers to Pender US Small/Mid Cap Equity Fund.
- *You* refers to you, as an investor of the Fund.
- *Pender Funds* refers to Pender US Small/Mid Cap Equity Fund, collectively with the other mutual funds and alternative mutual funds managed by Pender from time to time and *Pender Fund* refers to any one of the Pender Funds or a specific Pender Fund, as the context requires.
- *Dealer* refers to both the dealer and the representative registered in your jurisdiction who advises you on your investment.
- *Unitholders* refers to the holders of a class of units of the Fund.

Unless otherwise noted, all currency amounts in this Simplified Prospectus are stated in Canadian dollars.

This document contains information about the Fund and the risks of investing in mutual funds generally, as well as the name of the firm responsible for management of the Fund.

This document is divided into two parts. *Part A – General Disclosure* contains general information applicable to the Fund. *Part B – Specific Information About the Mutual Fund Described in this Document* contains specific information about the Fund described in this document.

Additional information about the Fund is available in the following documents (as and when filed):

- the most recently filed fund facts document for each class of the Fund;
- the most recently filed annual financial statements of the Fund;
- any interim financial statements filed after the annual financial statements of the Fund referred to above;
- the most recently filed annual management report of fund performance of the Fund; and
- any interim management report of fund performance of the Fund filed after the annual management report of fund performance referred to above.

These documents as and when filed are incorporated by reference into this document, which means that legally they form part of this document just as if printed as part of this document.

You may obtain a copy of these documents as and when filed, at your request, and at no cost, by calling toll-free at **1-866-377-4743** or by sending us an e-mail at **info@penderfund.com**, or from your Dealer.

These documents, as and when filed, and other information about the Fund are available on our website at www.penderfund.com or on the SEDAR+ website at www.sedarplus.ca.

RESPONSIBILITY FOR MUTUAL FUND ADMINISTRATION

Manager

PenderFund Capital Management Ltd. is the manager of the Fund. The Manager's address is 1830 – 1066 West Hastings St., Vancouver, BC V6E 3X2. Additional information about the Manager and the Fund can be obtained from the Manager's website at www.penderfund.com or by contacting the Manager at **1-866-377-4743** or info@penderfund.com.

The Manager is responsible for the overall business and operations of the Fund. The Manager engages arm's length third parties to perform certain services on behalf of the Fund as outlined in the table below. Under the Trust Agreement of the Fund, the Manager is responsible for the management and administration of the Fund. The Manager furnishes or arranges for the furnishing of the office space and facilities, computer equipment and software, clerical help, bookkeeping and internal accounting services required by the Fund. Registry and transfer agency services and all Unitholder servicing requirements are also arranged by the Manager.

The Manager was incorporated under the *Company Act* (British Columbia) (replaced by the *Business Corporations Act* (British Columbia)) on November 18, 2002 under the name 658761 B.C. Ltd. The Manager changed its name to PenderFund Capital Management Ltd. in April 2003.

Officers and Directors of the Manager

The name, municipality of residence, and the respective current positions and offices held with the Manager of all partners, directors and executive officers of the manager of the Fund, as at the date of this Simplified Prospectus are set out below:

Name and Municipality of Residence	Position and Office with Manager
KELLY EDMISON, LLB Vancouver, BC	Director, Chairman of the Board of Directors
DAVID BARR, CFA North Vancouver, BC	Chief Executive Officer, Director, Ultimate Designated Person
FELIX NARHI, CFA North Vancouver, BC	Director
GINA JONES, CPA, CA, CF, ICD.D Vancouver, BC	Chief Financial Officer, Corporate Secretary
CARLO DESIERTO Richmond, BC	President
GEOFF SCOTT Toronto, ON	Executive Vice President of Sales and Marketing
DONALD CAMPBELL, LLB Winnipeg, MB	Director

Terms of Management Agreement

Under the management agreement dated April 14, 2009, as amended from time to time and most recently amended on November 1, 2024 between the Manager and the Pender Funds (the “Management Agreement”), 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 the Manager in respect of the Fund as described in this Simplified Prospectus.

The Manager’s appointment continues indefinitely but may be terminated by us or the Pender Funds upon giving 60 days’ prior notice or such shorter notice as the Manager and the Pender Funds may agree. The Management Agreement may also be terminated by either the Pender Funds or the Manager upon giving notice in writing to the other party if the other party ceases to carry on business, becomes bankrupt or insolvent, or 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 and such breach is not remedied within 30 days of receipt of notice of such breach.

Fund of Funds

The Fund may invest in units of other mutual funds which may or may not be managed by us or our affiliates (referred to individually as an “Underlying Fund”, and collectively as “Underlying Funds”). Unitholders of the Fund have no voting rights or ownership in the units of any Underlying Fund, including any Underlying Fund that is managed by us or our affiliates. If there is a unitholder meeting with respect to an Underlying Fund that is managed by us or our affiliates, we will not vote the proxies in connection with the Fund’s holdings of such Underlying Fund. Under certain circumstances, we may arrange to send proxies to Unitholders of the Fund so that they can direct the vote on the matters being presented.

Portfolio Advisor

The Manager is also the portfolio advisor (“Portfolio Advisor”) of the Fund. The following table sets forth information in respect of the persons employed by the Manager who are principally responsible for day-to-day management of the Fund.

Name	Fund	Position and Office with Manager
AMAN BUDHWAR, CFA Mississauga, ON	Pender US Small/Mid Cap Equity Fund	Portfolio Manager

The individual listed in the table above is tasked with responsibilities including making investment decisions, executing investment orders, assisting with sales efforts, record keeping in respect of portfolio transactions and voting of portfolio securities, in accordance with the investment objectives and strategies of the Fund.

The individual listed in the table above also provides investment analysis, makes decisions relating to the investment of the Fund’s assets and supervises the Fund’s investment portfolios on a continuous basis. The individual has complete discretion to purchase and sell securities for the Fund’s portfolio within the Fund’s investment objectives, policies and restrictions without oversight, approval or ratification of a committee except that, in the case of matters giving rise to a conflict of interest involving the Fund or the Manager, the Independent Review Committee of the Fund will have oversight. See “Independent Review Committee”. The Portfolio Advisor has in place its own investment procedures and controls governing its investment activities, including the use of derivatives and securities lending. Pender is currently the Portfolio Advisor of the Fund.

Brokerage Arrangements

The Portfolio Advisor of the Fund also 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 and 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 is 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 that reflect those services.

The Fund has no 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 trades 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.

Directors, Executive Officers and Trustees

The Fund has no directors or officers. Pender, the manager and Portfolio Advisor of the Fund, is also the Trustee of the Fund. The head office of Pender is located at 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2. The Fund is governed by the Trust Agreement dated November 1, 2024, which sets forth the terms governing the creation, operation, management and administration of the Fund, including the powers and duties of the Trustee, the attributes of the units of the Fund, procedures for purchase, exchange and redemption of units, recordkeeping, calculation of the Fund's income and other administrative procedures. The Trustee may be removed by the Manager at any time by giving notice to the Trustee not less than 45 days prior to the date that such removal is to take effect. The Trustee may resign by giving notice to the Manager not less than 45 days prior to the date that such resignation is to take effect. The Manager must appoint a new trustee to take office when the removal or resignation becomes effective, failing which the Fund will terminate.

Promoter

Pender is the promoter of the Fund.

Custodian

The custodian of the assets of the Fund is CIBC Mellon Trust Company of 1 York Street, Suite 900, Toronto, ON M5H 0B6.

The custodian holds cash and securities of the Fund. The custodian is not responsible for holding or control of any assets of the Fund that are not directly held by the custodian or its appointed sub-custodians, including any assets loaned or pledged to a counterparty. The custodian is independent of the Manager.

Pursuant to exemptive relief obtained by the Manager on November 30, 2023 which permits certain Pender Funds, including the Fund, to appoint more than one custodian, the Manager may appoint additional custodians of the Fund from time to time. See "*Exemptions and Approvals*" for more information.

Auditor

The auditor of the Fund is KPMG LLP of 777 Dunsmuir St., P.O. Box 10426, Vancouver, BC V7Y 1K3. KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

Under applicable securities laws, the auditor of the Fund may be changed without the approval of Unitholders provided that the Independent Review Committee of the Fund has approved the proposed change and we provide you with at least 60 days' notice of the proposed change.

Registrar

The registrar of the Fund is CIBC Mellon Trust Company of 1 York Street, Suite 900, Toronto, ON M5H 0B6. The registrar keeps a record of the owners of units of the Fund, processes orders and issues account statements to investors. The registrar is independent of the Manager.

Securities Lending Agent

The securities lending agent of the Fund is CIBC Mellon Trust Company of 1 York Street, Suite 900, Toronto, ON M5H 0B6. The securities lending agreement appoints the securities lending agent to act as agent for securities lending transactions of the Fund that engage in securities lending and to execute securities lending agreements with borrowers on behalf of the Fund in accordance with NI 81-102. The securities lending agent is independent of the Manager. For further details on securities lending, see "*Responsibility for Mutual Fund Administration – Policies and Practices – Policies and Procedures Related to Securities Lending*".

Independent Review Committee and Fund Governance

Independent Review Committee

In accordance with *National Instrument 81-107 Independent Review Committee for Investment Funds* ("NI 81-107"), the Manager, on behalf of the Fund, has established an Independent Review Committee to provide impartial judgment on conflicts of interest between the Manager and the Fund. The Independent Review Committee is responsible for overseeing the Manager's decisions in any situation where it is faced with any actual or perceived conflict of interest, including "business" or "operational" conflicts.

The Independent Review Committee will prepare, at least annually, a report of its activities for Unitholders which will be available on our website at www.penderfund.com or, at the Unitholder's request, and at no cost to the Unitholder, by calling toll-free at 1-866-377-4743 or by email at info@penderfund.com. Currently, the Independent Review Committee is comprised of Leslie Wood (Chair), Robin Mahood, and John DeLucchi. Each member of the Independent Review Committee receives an annual retainer plus a fixed fee and expenses for each meeting of the Independent Review Committee that the member attends. See "*Fees and Expenses*" for more information regarding remuneration of the Independent Review Committee members.

NI 81-107 requires the Manager to have policies and procedures relating to conflicts of interest. The Manager has established written policies and procedures for the Manager to follow in making decisions involving an actual or perceived conflict of interest and will refer such matters to the Independent Review Committee for review in accordance with NI 81-107.

Fund Governance

Code of Ethics

The Manager has responsibility for governance of the Fund. The Manager has also adopted a Code of Ethics which is substantially the same as the CFA Institute Code of Ethics and Standards of Professional Conduct. To support the Conflicts of Interest provision in the Code of Ethics, the Manager has implemented a personal trading code to ensure proper disclosure and handling of conflicts arising from employee personal trading.

Risk Management

Various measures to assess risk are used, including mark-to-market security valuation, fair value accounting, reconciliations of security and reconciliations of cash positions. Compliance monitoring of the Fund's portfolios is ongoing. The Fund is priced on a daily or weekly basis, as the case may be, which ensures that performance accurately reflects market movements.

Affiliated Entities

Arbutus Family Holdings Ltd., which is 100% owned by Kelly Edmison, is a company that provides consulting services to the Manager. Arbutus Family Holdings Ltd. also owns beneficially, directly or indirectly, more than 10% of the voting rights attached to the common shares of the Manager.

Policies and Practices

Policies and Procedures Related to Derivatives Trading

The Fund may use derivatives, directly or indirectly. Even if the Fund does not directly engage in derivatives, it may, as part of its investment strategy, invest in Underlying Funds that may engage in derivatives as part of their strategies. Derivatives will be used in compliance with all applicable securities legislation and regulation and as disclosed in this Simplified Prospectus.

Oversight of derivatives trading is undertaken by the Manager. The written policies and procedures relating to the use of these derivatives are developed with the custodian of the Fund and are reviewed annually by the Manager.

Derivatives transactions on behalf of the Fund may be initiated only by the Portfolio Advisor responsible for the Fund's investments. The Portfolio Advisor ensures that the individuals who make decisions with respect to derivatives transactions have the necessary proficiency and experience to use derivatives. As in the case of other portfolio transactions, all derivatives transactions made on behalf of the Fund must be recorded on a timely basis and promptly reflected in the Fund's portfolio management records. Derivative positions are monitored to ensure compliance with all regulatory requirements, including cash cover requirements.

Policies and Procedures Related to Short Selling Risk Management

The Fund may engage in short selling as part of its investment strategies. Even if it does not directly engage in short selling, it may as part of its investment strategy, invest in Underlying Funds that may engage in short selling as part of their strategies. The Fund will engage in short selling in compliance with all applicable securities legislation and regulations and as disclosed in this Simplified Prospectus.

Short selling involves borrowing securities from a lender that are then sold in the open market (or "sold short"). At a later date, the same number of securities are repurchased by the Fund and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the Fund pays interest to the lender. If the value of the securities declines between the time that the Fund borrows the securities and the time the Fund repurchases and returns the securities, the Fund makes a profit for the difference (less any interest the Fund is required to pay to the lender). In this way, the Fund has more opportunities for gains when markets are generally volatile or declining.

The Fund will engage in short selling only within certain controls and limitations. Securities will be sold short only for cash and the Fund will receive the cash proceeds within normal trading settlement periods for the market in which the short sale is made. All short sales will be effected only through market facilities through which those securities are normally bought and sold.

The Fund may short sell equity securities, index participation units, corporate debentures, corporate bonds, government bonds and other fixed and floating-rate income securities that are traded in a liquid market. If the

security sold short is an equity security, the security must be listed for trading on a stock exchange and the issuer of the security must have a market capitalization of not less than \$100 million at the time the short sale is made.

Pursuant to National Instrument 81-102 *Investment Fund* (“NI 81-102”), at the time securities of a particular issuer are sold short by a mutual fund (other than an alternative mutual fund), such as the Fund, the aggregate market value of all securities of that issuer sold short will not exceed 5% of the net assets of such mutual fund. Further, pursuant to NI 81-102, at the time securities of a particular issuer are sold short by a mutual fund (other than an alternative mutual fund), such as the Fund, the aggregate market value of all securities sold short by the Fund may not exceed 20% of such mutual fund’s net assets, unless an exemptive relief order has been granted. See “*Fund Details*” below for more information.

The Fund may deposit assets with lenders in accordance with industry practice in relation to its obligations arising under short sale transactions.

Where a short sale is effected in Canada, every dealer that holds the Fund’s assets as security in connection with a short sale must be a registered dealer and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund. Where a short sale is effected outside of Canada, every dealer that holds the Fund’s assets as security in connection with a short sale must be a member of a stock exchange (and, as a result, be subject to regulatory audits) and have a net worth in excess of the equivalent of \$50 million determined from its most recent audited financial statements. Pursuant to NI 81-102, the aggregate assets deposited by a mutual fund (other than an alternative mutual fund), such as the Fund, with any single dealer as security in connection with short sales will not exceed 10% of such mutual fund’s total net assets, taken at market value as at the time of the deposit.

The Portfolio Advisor of the Fund must maintain appropriate internal controls regarding its short sales, including written policies and procedures, risk management controls and proper books and records. Any short sale by the Fund is subject to compliance with the investment objectives of the Fund. The Portfolio Advisor will review open short positions not less than once every week. The Manager is responsible for setting and reviewing such policies and procedures annually. The Trustee has delegated responsibility for setting and reviewing such procedures to the Manager and is not involved in the risk management process.

Policies and Procedures Related to Securities Lending

The Manager has entered into a securities lending agreement with CIBC Mellon Global Securities Services Company, CIBC Mellon Trust Company, Canadian Imperial Bank of Commerce and The Bank of New York Mellon in order to engage in securities lending transactions to earn additional income for the Fund. The Fund may enter into additional agreements in the future only as permitted under securities law.

The risks associated with these transactions will be managed by requiring that the Fund enter into such transactions with well-established Canadian and foreign brokers, dealers and institutions. The Manager receives daily reports determining the market value of the securities loaned under a securities lending transaction and the cash or collateral held for such transaction. If on any day the market value of the cash or collateral is less than 102% of the market value of the security loaned, on the next day the counterparty will be required to provide additional cash or collateral to the Fund to make up the shortfall. If and when the Fund engages in securities lending, it cannot lend more than 50% of the total value of its assets through securities lending.

Pender will review at least annually the policies and procedures described above to ensure that the risks associated with securities lending are being properly managed.

Policies Related to Proxy Voting

The Manager has established a proxy voting policy and guidelines (the “Guidelines”) that have been designed to provide general guidance, in compliance with the applicable legislation, for the voting of proxies and for the creation of the Portfolio Advisor’s own proxy voting policies for the Fund. The Guidelines set out the voting procedures to be followed in voting routine and non-routine matters, together with general guidelines suggesting a process to be followed in determining how and whether to vote proxies. Although the Guidelines allow for the creation of a standing policy for voting on certain routine matters, each routine and non-routine matter must be assessed on a case-by-case basis to determine whether the applicable standing policy or general Guidelines should be followed. The Guidelines also address situations in which the Portfolio Advisor may not be able to vote, or where the costs of voting outweigh the benefits.

When a vote of a portfolio company’s securities presents a conflict between the interests of the securityholders of the portfolio company and those of: (i) the Manager, (ii) the Fund’s Portfolio Advisor, or (iii) any affiliate or associate of the foregoing or the Fund, then the Manager will refer the matter to the Independent Review Committee of the Fund.

From time to time, apparent conflicts of interest may arise with respect to the exercise of the Fund’s voting rights in a portfolio company. These conflicts may include where the Manager or a representative of the Manager has another relationship with the portfolio company in addition to the Fund’s interest in the portfolio company. In such circumstances, if the Manager is in a conflict position, the Manager will refer the matter to the Independent Review Committee of the Fund. If a representative of the Manager (but not the Manager itself) is in a conflict position, such individual will be excluded from the Manager’s consideration of the exercise of the Fund’s voting rights in the portfolio company. Representatives of the Manager (including its portfolio advisors) must only exercise the Fund’s voting rights in a portfolio company uninfluenced by considerations other than the best interests of the Fund.

Pender has developed its own respective voting guidelines and keeps adequate records of all matters voted or not voted, in accordance with applicable regulations. A copy of the Guidelines is available upon request, at no cost, by calling the Manager toll-free at **1-866-377-4743** or by writing to Pender at 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2.

Proxy Voting Record

The Fund will prepare a proxy voting record on an annual basis for the period ending on June 30th of each year that will be available free of charge to any Unitholder upon request at any time after August 31st of that year. The proxy voting record will be available on **www.penderfund.com** no later than August 31st of each year.

Policies and Procedures Related to Net Asset Value Errors and Adjustments

We have policies and procedures in place with respect to identifying when the Fund’s net asset value (“NAV”) per unit does not accurately reflect the actual NAV per unit at the time of computation (a “NAV Differential”), assessment of whether the NAV Differential exceeds a materiality threshold (a “NAV Error”) and whether an adjustment needs to be made to correct a NAV Error (a “NAV Adjustment”). Such policies and procedures were developed with consideration given to industry standards. Generally, a NAV Error is when a NAV Differential exceeds 0.50% of the Fund’s NAV. A Unitholder will typically receive compensation, a NAV Adjustment, only where the unitholder’s loss is \$25 or more. If a NAV Differential is protracted over a number of successive days, these thresholds will be considered for each day and not accumulated.

Remuneration of Directors, Officers and Trustees

The Fund has no directors or officers. The Fund pays fees to members of the Independent Review Committee. Refer to “*Independent Review Committee*” and “*Fees and Expenses*” for remuneration information. The Fund’s Trustee is not entitled to any remuneration in its capacity as trustee of the Fund.

Material Contracts

Set out below are particulars of the material contracts entered into by the Fund as of the date of this Simplified Prospectus.

1. The Twenty-second (22nd) Amended and Restated Trust Agreement dated November 1, 2024 between the Manager and the Trustee with respect to the governance of the Fund. See “*Formation and History of the Fund*” and “*Responsibility for Mutual Fund Administration*” for a description of the Trust Agreement.
2. The Management Agreement dated April 14, 2009, as amended from time to time and most recently amended on November 1, 2024 between the Manager and the Fund, pursuant to which Pender agreed to act as the Manager of the Fund. See “*Responsibility for Mutual Fund Administration*” for a description of the Manager’s responsibility.
3. The Custodial Services Agreement dated April 14, 2009, as amended from time to time and most recently amended on October 11, 2024 among the Manager, CIBC Mellon Global Securities Services Company, CIBC Mellon Trust Company and Canadian Imperial Bank of Commerce, pursuant to which CIBC Mellon Trust Company was appointed custodian of the assets of the Conventional Fund and Pender Alternative Multi-Strategy Income Fund. See “*Responsibility for Mutual Fund Administration*” for a description of such custodian’s duties and responsibilities.

Copies of material contracts may be inspected at the head office of the Manager during ordinary business hours.

Legal Proceedings

The Manager is not aware of any material legal proceedings outstanding or known to be contemplated to which the Fund or the Manager is a party.

Neither Pender nor any of its directors or officers, in the 10 years before the date of this Simplified Prospectus, has been subject to any penalties or sanctions imposed by a court or securities regulator relating to trading in securities, promotion or management of a publicly-traded mutual fund, theft or fraud, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in determining whether to purchase securities of the Fund, or entered into a settlement agreement with a court, securities regulatory or other regulatory body, in relation to any of the foregoing matters.

Designated Website

A mutual fund is required to post certain regulatory disclosure documents on a designated website. The designated website of the Fund can be found at www.penderfund.com.

CALCULATION OF NET ASSET VALUE

As described in this Simplified Prospectus under the heading “*Purchases, Switches and Redemptions*”, units of the Fund may be purchased or redeemed at the price per unit of that unit class as next determined after the receipt of a purchase order or a redemption order as the case may be.

The price per unit of the Fund will be the net asset value per unit of that class of units.

The net asset value per unit of each class is determined on a daily basis. The Fund is valued only on a day that the Toronto Stock Exchange is open for trading or such other time as the Manager determines appropriate (a "Valuation Date").

VALUATION OF PORTFOLIO SECURITIES

The Manager shall determine and calculate or cause to be determined and calculated the net asset value of the Fund after 4:00 p.m. (Eastern Time) on a particular Valuation Date on behalf of the Fund in accordance with the following principles:

- (a) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Manager determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the reasonable value thereof;
- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be held at amortized cost, which approximates fair value;
- (c) the value of any security, index futures or index options thereon which is listed on any recognized exchange shall be determined by the last traded price on the Valuation Date or, if the last traded price is not available, the average between the closing bid and asked quotations on the Valuation Date, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then the value shall be determined by reference to the last previous date on which such stock exchange was open for trading;
- (d) the value of any Underlying Fund will be valued at their respective net asset values on each Valuation Date;
- (e) the value of any security or other asset for which a market quotation is not readily available shall be its fair market value as determined by the Manager using a valuation technique that requires the use of inputs and assumptions based on observable market data;
- (f) the value of any security, as permitted under International Financial Reporting Standards ("IFRS"), for which the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
- (g) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (h) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the net asset value of the Fund. The securities, if

any, that are the subject of a written clearing corporation option, option on futures or over-the-counter option shall be valued at their then current market value;

- (i) the value of a futures contract or a forward contract, shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the futures contract or the forward contract, as the case may be, were to be closed out, unless daily limits are in effect, in which case fair value shall be based on the current market value of the underlying interest;
- (j) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (k) all property of the Fund valued in a foreign currency and all liabilities and obligations of the Fund payable in a foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Manager, including, but not limited to, the Manager or any of its affiliates; and
- (l) all expenses or liabilities (including fees payable to the Manager) of the Fund shall be calculated on an accrual basis.

The value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason, including, for example, where an Underlying Fund does not calculate its net asset value on the same basis as the Fund) shall be the fair value thereof determined in good faith in such manner as the Manager from time to time adopts. The value of assets and liabilities of the Fund established by the Manager in accordance with these rules shall be conclusive and binding on all Unitholders. Where the Manager is provided with a value, quotation, estimate or other information related to the value of any property of the Fund by a third party (collectively, "Third Party Data"), the Manager may rely on such Third Party Data and shall have no responsibility or liability, whatsoever, for any loss or damage arising out of or in connection with the Manager's reliance on such Third Party Data.

Pursuant to the Notice of Amendment to *National Instrument 81-106 Investment Fund Continuous Disclosure* ("NI 81-106"), investment funds calculate their net asset value using fair value (as defined therein) for the purposes of unitholder transactions. The Manager has established policies to determine the fair value of the securities held by the Fund in accordance with NI 81-106 and such policies have been approved by the board of directors of the Manager of the Fund.

The net asset value and net asset value per unit of the Fund is published by various media outlets on each Valuation Date. You can also obtain this information, at no cost to you, by contacting the Manager at **1-866-377-4743** or by email at **info@penderfund.com**. This information is also available on our website at **www.penderfund.com**.

PURCHASES, SWITCHES AND REDEMPTIONS

Purchases

You may only buy Class A units via the front-end load sales charge method.

There are no sales charges on the purchase or redemption of any other class of units.

Class F units may be purchased under this Simplified Prospectus only through an investment advisor who has obtained the consent of Pender to offer these classes.

Class E and Class O units may be purchased under this Simplified Prospectus by qualified investors by contacting us.

Units of the Fund are distributed by authorized registered Dealers. You may purchase units by sending the purchase amount to your Dealer. The price of a unit of the Fund is the applicable net asset value per unit next determined after receipt by the Fund of an order to purchase. On the same day your order is received, your Dealer will forward the order to the Fund's head office by telecommunications facility, courier, facsimile or priority post without cost to you. Certificates will not be issued for units purchased.

Your initial investment in any class of units other than Class E and Class O units of the Fund, must be at least \$5,000. After your initial investment, you can make further investments of at least \$100 per investment. With respect to Class E and Class O units, minimum initial investment amounts are to be negotiated between the Unitholder and the Manager. We will determine, and from time to time may change, the minimum amounts for initial and subsequent investments in any class. Investments in any class of units of the Fund must be made in Canadian dollars.

If we do not receive payment within one business day of processing your purchase order for units of any of the Fund, we must redeem your units on the next business day. If the proceeds are greater than the payment you owe, the Fund will keep the difference. If the proceeds are less than the payment you owe, we will pay the difference to the Fund on your behalf and collect this amount from your Dealer, who may collect the amount from you. We may reject your purchase order within one business day of receiving it. Any monies sent with your order will be returned immediately without interest.

Investors having accounts with OEO Dealers or any other Dealer that does not make a suitability determination may purchase Class F units if such Dealer has obtained the consent of Pender to offer these classes and may not purchase any other class of units. See "*Dealer Compensation – Trailing Commissions*" in this Simplified Prospectus.

Changing Classes

You may change between classes of units of the Fund if you are eligible. A class change is called a "conversion". You may convert units of one class into units of another class of the Fund. When you convert units between classes, the value of your investment will not change (except in respect of any fees you may pay to convert), but the number of units you hold may change. This is because each class of units may have a different unit price. When changing classes, a short-term trading fee may apply if the units are changed within 30 days from the date of purchase. See "*Fees and Expenses*" in this Simplified Prospectus, regarding short-term trading charges. Your Dealer may charge you a fee for doing a change. See "*Fees and Expenses*" in this Simplified Prospectus, regarding switch fees. In general, a conversion between classes in the Fund is not considered a sale for tax purposes, so no capital gain or loss will result for tax purposes. However, any redemption of units to pay for a change fee charged by your Dealer will be considered a sale for tax purposes. For a further discussion of the tax consequences, see "*Income Tax Considerations*".

You may change units of a particular class into units of another class of the Fund if you are an eligible investor for the class of units into which you are changing. See "*Description of Units Offered By The Fund*" in this Simplified Prospectus.

If you cease to be eligible to hold units of a particular class, we may change your units into a different class after giving you 30 days' prior notice, unless you notify us during the notice period and we agree that you are once again eligible to hold that class of units. Your Dealer may charge you a fee for changing classes.

Switches

You can redeem all or a portion of your units of the Fund to buy units of another Pender Fund, as long as you meet the minimum initial investment requirement. This is called a switch. Depending on the class of units and the purchase option you are switching from and to, and the length of time you have owned the units, your switch may affect the fees you pay and the compensation your Dealer receives, including the following:

- A short-term trading fee may apply if the units are switched within 30 days from the date of purchase. See "*Fees and Expenses*" in this Simplified Prospectus regarding short-term trading charges.

- Your Dealer may charge you a fee for doing a switch. See “*Fees and Expenses*” in this Simplified Prospectus regarding switch fees.
- Depending on the class of unit and purchase option you switch between, your Dealer may be paid a trailing commission. See “*Dealer Compensation*” in this Simplified Prospectus.

When we receive your order to switch, we will redeem your units in the Fund and use the proceeds to buy units of the same class of another Pender Fund. There may be tax consequences for the sale or redemption of units for a switch. For a further discussion of the tax consequences, see “*Income Tax Considerations*”.

Redemptions

You can redeem your units for cash at any time by providing us with a redemption order, subject to certain specific Fund redemption restrictions and suspensions of redemption rights described below. Your Dealer will forward your redemption order to us on the same day the Dealer receives it from you.

The Fund will redeem units for the redemption price, which is equal to the total of the net asset value per class as at the end of the Valuation Date that falls on or occurs immediately after the date on which a fully completed redemption request is received by the Fund (with any redemption request received after 4:00 p.m. ET on a Valuation Date being deemed, for such purpose, to be received on the following Valuation Date).

Redemption of all Fund classes of units will be paid in Canadian dollars.

For wire order redemptions requested via wire order, if we do not receive all the documentation we need from you to complete the redemption order within 10 business days, we must repurchase your units. If the purchase price is less than the redemption price for the units, the Fund will keep the difference. If the purchase price is greater than the redemption price for the units, your Dealer will be responsible for paying this difference and the associated costs. Your Dealer may require you to reimburse the amount paid. If at any time you request a partial redemption of your units so that the aggregate net asset value of your units of the Fund would be less than \$5,000, we may require that all such units of the Fund be redeemed after we provide you with at least 30 days’ written notice.

Under certain circumstances, your right to redeem may be suspended in accordance with securities legislation. For example, your right to redeem units of the Fund may be suspended if trading is suspended on stock exchanges on which over 50% of the investments of the Fund trade. We may also suspend your right to redeem units of the Fund, with the consent of applicable securities regulatory authorities, if we cannot determine the value of the net assets of the Fund.

Under the terms of the trust agreement governing the Fund, the Trustee is permitted to allocate capital gains it has realized to fund a redemption to redeeming Unitholders. However, based on recent amendments to the *Income Tax Act* (Canada) (the “Tax Act”), the Fund will be limited in its ability to allocate capital gains to a redeeming Unitholder in a particular year.

Short Term Trading

The interests of Unitholders and the ability of the Fund to manage its investments may be adversely affected by inappropriate or excessive short-term trading because, among other things, these types of trading activities can dilute the value of the Fund’s securities, can interfere with the efficient management of the Fund’s portfolios and can result in increased brokerage and administrative costs.

If you redeem units of the Fund within 30 days of buying them, the Manager may, at its discretion, reduce the amount otherwise payable to you on redemption by imposing a short-term trading fee of up to 2% of the net asset value of the units redeemed. See “*Fees and Expenses*” in this Simplified Prospectus. The fee will be retained by the Fund. We may also restrict purchases if you engage in such short-term trading.

The Manager monitors for short-term trading each month and reviews associated results. For each short-term trade with a total value of >\$5,000, the Manager will, at its discretion, send a warning to the applicable investment dealer and, if similar trading activity persists, a second warning. If the short-term trading occurs for a third time for the same account, the short-term trading fee described above may, at the discretion of the Manager, be levied.

There are no arrangements, whether formal or informal, with any person or company to permit short-term trades in securities of the Fund. Other than as described in this Simplified Prospectus, the Fund does not have any formal policies or procedures relating to the monitoring, detection, and deterrence of short-term trades of the Fund's securities by investors.

OPTIONAL SERVICES PROVIDED BY THE MUTUAL FUND ORGANIZATION

Pre-Authorized Chequing Plan (“PAC”)

You can purchase units of the Fund by making regular investments through a PAC.

Your initial investment in any class of units other than Class E and Class O units of the Fund, must be at least \$5,000. With respect to Class E and Class O units of the Fund, minimum initial investment amounts are to be negotiated between the Unitholder and the Manager. We will determine, and from time to time may change, the minimum amounts for initial and subsequent investments in any class.

After your initial investment, you can make further investments via a PAC on a regular basis of at least \$100 per investment. We will determine, and from time to time may change, the minimum amounts for initial and subsequent investments in any class. You can invest semi-monthly, monthly, quarterly, semi-annually or annually. We may stop your PAC if a payment is not made when due. We may change or discontinue this service at any time.

When you enroll in a PAC, your Dealer will send you the current simplified prospectus and any amendments that have been made. Subject to regulatory approval, you will not be sent a copy of any subsequent simplified prospectus renewals (and any amendments to that simplified prospectus) unless you request that it be sent to you at the time you enroll in a PAC or subsequently request it from your Dealer. You can obtain copies of these documents from your Dealer or by calling us toll free at **1-866-377-4743** or sending us an e-mail at **info@penderfund.com**. The documents can also be found on our website at **www.penderfund.com** or on the SEDAR+ website at **www.sedarplus.ca**.

You may exercise your statutory right to withdraw from the initial purchase under the PAC. This right does not apply in respect of any subsequent purchase under the plan, but you continue to have all other statutory rights under securities law, including rights arising from any misrepresentations that may have been made, irrespective of whether you request or receive a copy of subsequent simplified prospectus renewals. See “*What are your Legal Rights?*” in this Simplified Prospectus.

Automatic Regular Withdrawals

Automatic regular withdrawals from the Fund available for investors through certain financial institutions is provided as an optional service through pre-authorized redemptions of units. The redemption value is deposited to a pre-determined financial institution or bank account and can be made monthly, quarterly, semi-annually or annually. The minimum amount for each pre-authorized redemption transaction is \$100 per transaction. Automatic regular withdrawals cannot be set up in respect of units held by way of a RRSP account. If the amount of your withdrawals exceeds the growth of your investment and any income it is earning, your investment will eventually be exhausted.

No fees are payable for participating in an automatic regular withdrawals program. For more information on how to participate in automatic regular withdrawals from the Fund, please consult your professional advisor.

Automatic Reinvestment of Distributions

As described under the subheading “*Distribution Policy*” contained in the Fund profile under “*Part B – Fund Specific Information*” in this Simplified Prospectus, unless you indicate that you would like to receive your distribution in cash, we will automatically reinvest your distributions from a particular class of units of the Fund into additional units of the same class of the Fund at the next net asset value per unit of that class calculated on the date of distribution.

Information You Will Receive

When you make your initial purchase, you will receive a confirmation indicating the purchase price per unit and the number and class of units you purchased. Similarly, at the time of any additional purchase, change of class, switch or redemption of units, you will receive a confirmation giving details of the transaction and a summary of the units you hold. If you make your initial purchase from a Dealer, you will receive the above information from your Dealer directly. Upon your request, as and when filed, you will also receive audited annual financial statements, unaudited interim financial statements, the annual management report of fund performance and the interim management report of fund performance, in respect of the Fund.

FEES AND EXPENSES

The table below lists the fees and expenses that you may have to pay if you invest in the Fund. You may have to pay some of these fees and expenses directly. The Fund may have to pay some of these fees and expenses, which will therefore reduce the value of your investment in that Fund. The consent of Unitholders will be obtained if (i) any change is made in the basis of the calculation of a fee or expense charged to the Fund or a unit class of the Fund, or directly to you by us or the Fund in connection with the holding of units of the Fund, in a way that could result in an increase in charges to the Fund or the unit classes or you, or (ii) a fee or expense is introduced that is charged to the Fund or a unit class, or directly to you by us or the Fund in connection with the holding of units of the Fund, that would result in an increase in charges to the Fund, a unit class or you, unless the change is a result of a change made by a third party at arm’s length to the Fund or unless applicable securities laws do not require the consent of Unitholders to be obtained. In that case, Unitholders will be sent a written notice at least 60 days before the effective date of the change, if required under applicable securities laws.

If the Fund holds units of another mutual fund:

- there are fees and expenses payable by the other mutual fund in addition to the fees and expenses payable by the Fund;
- no management fees, administration fees or incentive/performance fees are payable by the Fund that, to a reasonable person, would be considered to duplicate a fee payable by the other mutual fund for the same service;
- no sales fees or redemption fees are payable by the Fund in relation to its purchases or redemptions of the securities of the other mutual fund if the other mutual fund is managed by Pender or its affiliate or associate; and
- no sales fees or redemption fees are payable by the Fund in relation to its purchases or redemptions of securities of the other mutual fund that, to a reasonable person, would be considered to duplicate a fee payable by an investor in the Fund.

Fees and Expenses Payable by the Mutual Fund

<p>Management Fees</p>	<p>The management fees vary by unit class. See the management fee information for the Fund under “<i>Fund Details</i>”. For Class E and Class O units, the management fee is or will be, as applicable, separately negotiated and charged directly to the Class E and Class O Unitholders, as applicable. For Class E and Class O Unitholders the management fee (before applicable taxes such as GST or HST) will not exceed 1.85%.</p> <p>The management fees charged to the Fund by the Manager are intended to cover, for example costs such as: investment management costs, including any portfolio advisory fees, as well as distribution, marketing and promotion of the Fund. The management fee is based on the net asset value of each unit class, calculated daily and payable monthly. Certain units have a lower management fee due to lower servicing costs incurred by the Manager. Management fees are subject to applicable taxes such as GST or HST. The Manager, at its discretion, may reduce or waive management fees.</p>
<p>Operating Expenses</p>	<p>Each unit class will be charged an administration fee equal to 0.30% of its net asset value. For Class O, the administration fee is or will be, as applicable, separately negotiated and charged directly to the Class O Unitholders, as applicable, and will not exceed 0.30% of the applicable Unitholder’s account value. In exchange for the administration fee, the Manager pays for the operating costs of the Fund (including administrative and operating expenses, registrar and transfer agency fees, custody fees, Unitholder servicing costs, costs of prospectuses and reports, regulatory fees and audit and legal fees) other than taxes, brokerage commissions, transaction costs and Independent Review Committee fees.</p> <p>The Manager may reimburse the Fund for the Independent Review Committee fees. The Chair of the Independent Review Committee receives an annual retainer of \$15,000 and a fee of \$1,500 for each meeting the Chair attends. With the exception of the Chair, each member of the Independent Review Committee receives an annual retainer of \$10,000 and a fee of \$1,000 for each meeting that the member attends. The members of the Independent Review Committee are also reimbursed for certain out-of-pocket costs associated with the performance of their duties. Administration fees are subject to applicable taxes such as GST or HST. The Manager, at its discretion, may reduce or waive administration fees.</p>

Fees and Expenses Paid Directly by You

<p>Management and Administration Fees</p>	<p>Management fees for Class E and Class O are or will be, as applicable, separately negotiated and are charged directly to the Class E or Class O Unitholders, as applicable. For Class E and Class O Unitholders the management fee will not exceed rates as noted above in “Fees and Expenses Payable by the Mutual Fund”. Administration fees for Class O are separately negotiated and charged directly to the Class O Unitholders and will not exceed 0.30% of the applicable Unitholder’s account value.</p>
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Front-End Sales Charge	For Class A units, your Dealer may charge a maximum commission of 5% (\$50 on a \$1,000 investment). There are no front-end sales charges on the purchases of Class F units. Instead, you may pay a fee directly to your Dealer under its “fee for service” or “wrap account” program. There are no sales charges on the purchase of Class E or Class O units.
Switch Fee	Your Dealer may charge you up to 2% of the net asset value of the units you switch to a different Pender Fund or convert to a different class of the Fund.
Short-Term Trading Fee	The Fund may, at its sole discretion, charge you up to 2% of the net asset value of the units you redeem if you switch or redeem within 30 days of purchase. The short-term trading fee will be retained by the Fund.
Bank Charges	You will be charged any amounts levied by a bank or other financial institution for any of your cheques that are dishonoured and returned to the Fund or for any charge related to electronic fund transfers.

Impact of Sales Charges

Class A Units

The following table shows the amount of fees that you would have to pay under the front-end load option available to you if you made an investment of \$1,000 in Class A units and you held that investment for one, three, five or 10 years and redeemed immediately before the end of that period.

	At Time of Purchase	1 Year	3 Year	5 Year	10 Year
Class A units (Maximum 5% commission)	\$50	Nil	Nil	Nil	Nil

Class E / Class F / Class O Units

There are no sales charges on the purchase of Class E or Class O units. There are also no sales charges on the purchase of Class F units – instead you pay a fee directly to your Dealer under its “fee for service” or “wrap account” program.

Management Fee Rebate or Distribution Programs

From time to time, the Manager may offer a reduced fee to select investors. The Manager negotiates a separate agreement with each investor that sets out the basis (such as size of holdings or competitive rates charged in the industry) on which the fee reduction is calculated. The fees for these select investors are the same as for other Unitholders in the same unit class, but these investors receive a distribution (a “Fee Distribution”) equal to the amount of the fee reduction. Fee Distributions are reinvested in additional units on behalf of those select investors unless otherwise negotiated.

DEALER COMPENSATION

Sales Commissions

You may purchase Class A units under the front-end sales charge method. Your Dealer is entitled to receive from you a negotiable sales commission of up to 5% (or up to \$50 per \$1,000) of the net asset value of the units purchased, as described in the previous section. The commission is deducted from your gross investment amount and the remainder is used to purchase units at the applicable net asset value per unit.

Trailing Commissions

The Manager makes payments to your Dealer to assist in providing you with continuing advice and service. Annual trailing commissions payable on Class A units of the Fund, payable on a monthly basis, are set out in the table below.

Trailing Commissions Paid by Manager	Class A
Pender US Small/Mid Cap Equity Fund	1.00%

No trailing commissions are paid in respect of Class E, Class F and Class O units.

The Manager may pay a portion of its management fee to a Dealer as additional compensation at the Manager's discretion. The Manager expects that your Dealer will pay a portion of the trailing commission to your advisor for the services and advice they provide to you.

Other Dealer Compensation from Management Fees

We may assist Dealers with certain of their direct costs associated with marketing the Fund and providing educational investor conferences and seminars about the Fund. We may also pay Dealers a portion of the costs of educational conferences, seminars or courses that provide information about financial planning, investing in securities, mutual fund industry matters or mutual funds generally. We may provide Dealers with marketing materials about the Fund and other investment literature. We may provide Dealers with non-monetary benefits of a promotional nature and of minimal value and we may engage in business promotion activities that result in Dealers receiving non-monetary benefits. We review the assistance we will provide under these programs on an individual basis.

Subject to compliance with securities regulatory authorities' mutual fund sales practice rules, we may change the terms and conditions of these trailing commissions and programs, or may stop them, at any time.

Equity Interests of Members of the Organization of the Fund

None of the Manager or its affiliates, or any other member of the organization of the Fund holds any ownership interest in any Dealer that sells the Fund's units, within the meaning of National Instrument 81-105 *Mutual Fund Sales Practice* ("NI 81-105"). No Dealer that sells the Fund's units, representative of a Dealer or any associate of either of the foregoing holds any ownership interest in the Manager or its affiliates or any other member of the organization of the Fund, within the meaning of NI 81-105.

INCOME TAX CONSIDERATIONS

This section provides a general summary of the federal income tax considerations applicable to the Fund and to an investor who is an individual (other than a trust), is resident in Canada, deals at arm's length with the Fund, and holds units as capital property. This summary is not exhaustive of all tax considerations and is not intended to be legal advice or tax advice. We have tried to make this discussion easy to understand. As a result, we cannot be technically precise, or cover all the tax consequences that may apply. You should consult your own tax advisor about your personal circumstances when you consider purchasing, switching or redeeming securities of the Fund.

The summary is based on the current provisions of the Tax Act, regulations under the Tax Act, the proposals for specific amendments to the Tax Act, the regulations that have been publicly announced by the Minister of Finance (Canada) before the date hereof and our understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency (CRA). Except for the foregoing, this summary does not take into account or anticipate any change in law, whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account provincial, territorial, or foreign income tax legislation or considerations. Investors should seek independent advice regarding the tax consequences of investing in units, based on the investors' own particular circumstances.

Income Tax Considerations for the Mutual Fund

The Fund is expected to qualify, and will continue to be, at all material times, a "mutual fund trust" under the Tax Act and intends to maintain such status. The Fund is a SIFT trust for purposes of the Tax Act. This summary is based on the assumption that the Fund will qualify as a mutual fund trust under the Tax Act at all material times. If the Fund were not to so qualify, the income tax consequences would differ materially from those described below.

If the Fund ceases to be a mutual fund trust for purposes of the Tax Act, the Fund may be subject to different tax consequences than described below including being subject to Part XII.2 tax, alternative minimum tax, the mark to market rule, the requirement to file Form T1135, and penalty tax if it holds any investments that are not qualified investments for Registered Retirement Savings Plans (RRSP), Registered Retirement Income Fund (RRIF), Deferred Profit Sharing Plans (DPSP), Registered Disability Savings Plans (RDSP), Registered Education Saving Plans (RESP), Tax Free Savings Accounts (TFSA) and First Home Savings Account (FHSA) (collectively "Registered Plans"). The Fund may also lose favourable income tax treatments such as the eligibility for the Capital Gain Refund Mechanism, qualification as a Canadian security for purposes of the election in subsection 39(4) of the Tax Act, and eligibility for a December 15 year-end. Investors should seek independent advice regarding the tax consequences of investing in units, based on the investors' own particular circumstances.

The Fund's deductible expenses, including expenses common to all classes of the Fund and management fees and other expenses specific to a particular class of the Fund, will be taken into account in determining the income or loss of the Fund as a whole. The Fund intends to make sufficient distributions in each taxation year that the Fund will not generally be liable for Part I income tax under the Tax Act.

Income Tax Considerations for Investors

For Units Not Held in a Registered Plan

If you hold units of the Fund outside of a Registered Plan, you will be required to include in computing your income for tax purposes the amount (computed in Canadian dollars) of the Fund's net income and the taxable portion of the net capital gains paid or payable to you by the Fund in the year (including by way of Fee Distributions), whether you receive these distributions in cash or they are reinvested in additional units. Provided the appropriate designations are made by the Fund, distributions of net taxable capital gains and taxable dividends (including eligible dividends) on shares of taxable Canadian corporations held by the Fund will effectively retain its character and be treated as such in your hands. Taxable dividends received from Canadian corporations are subject to a gross-up and credit regime the effect of which is to make them subject to lower tax rates than ordinary income. Taxable dividends that are eligible dividends are subject to an enhanced regime and thus lower tax rates. Generally,

gains from cash settled derivative transactions entered into for non-hedging purposes and “short sales” will be treated as ordinary income rather than capital gains.

To the extent that the distributions (including by way of Fee Distributions) paid to you by the Fund in any year exceed your share of the net income and net realized capital gains of the Fund allocated to you for that year, those distributions (except to the extent that they are proceeds of disposition) will be a return of capital and will not be taxable to you but will reduce the adjusted cost base of your units of the Fund. Where the adjusted cost base of a unit in the Fund would be reduced below zero, a capital gain is realized to the extent the adjusted cost base would otherwise become negative.

Subject to a return of capital, you will be taxed on distributions of income and capital gains from the Fund, even if the income and capital gains accrued to the Fund or were realized by the Fund before you acquired the units and were reflected in the purchase price of the units. In many cases, the most significant distributions of income and capital gains of the Fund occur in December. However, distributions (including Fee Distributions) can be made at any time in the year at the discretion of the Manager.

The Fund may invest in debt or shares of foreign corporations. Interest income and dividends paid to the Fund by a foreign corporation may be subject to a withholding tax payable to a foreign government. To the extent that the Fund so designates in accordance with the Tax Act, you will be deemed to have received income from the foreign country and, for the purpose of computing foreign tax credits, be deemed to have paid a portion of the taxes withheld as foreign taxes paid to that country. You will be required to include in your income the foreign source income gross of withholding taxes. Foreign source income is taxed as regular income for the purposes of the Tax Act. The Canadian tax payable by you on such foreign source income may be reduced by a foreign credit in respect of the foreign taxes deemed paid on that income. Capital gains on the sale of foreign securities will generally not be subject to withholding taxes.

As part of its investment strategy, the Fund may invest in US corporate bonds. Under the US – Canada tax treaty, interest paid on such bonds will not be subject to withholding taxes. Capital gains from the sale of US securities will also generally not be subject to withholding taxes while US earned dividends are subject to a 15% withholding tax. These applicable withholding tax rates are provided that both the payor and the recipient qualify for benefits under the US – Canada tax treaty.

The Fund may invest in units of mutual fund, income trusts and other trusts. Net income and taxable capital gains that are allocated to the Fund by these investments will be included in computing the net income and taxable capital gains of the Fund, which in turn will be allocated to Unitholders in the manner set out above.

If the Fund is subject to a “loss restriction event” as the result of a person becoming a “majority-interest beneficiary” or a group of persons becoming a “majority interest group of beneficiaries” of the Fund (as those terms are defined in the Tax Act) it will have a deemed year-end for tax purposes and may be liable to tax unless it distributes its net taxable income and net capital gains for the shortened year. If it has net accrued or realized losses at that time, certain of its accrued and realized losses may be extinguished, which could adversely affect the tax treatment of a person holding or acquiring units; see “*Tax loss restriction event risk*”.

If you dispose of a unit (including a switch of a unit of one Fund for a unit of another Pender 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. A portion of a capital gain (or a capital loss) is generally included in determining your taxable capital gain (or allowable capital loss). The 2024 Federal Budget has proposed to increase the capital gains inclusion rate from one-half to two-thirds for gains realized on or after June 25, 2024 and for individuals there is a limit of \$250,000 per year of capital gains that will continue to have an inclusion rate of one-half. 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 the Fund into units of a different class of the 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.

If you dispose of units of the Fund and you, or your spouse or another person affiliated with you (including a corporation controlled by you) has acquired units of the Fund within 30 days before or after you dispose of the units (such newly acquired units being considered "substituted property"), your capital loss may be deemed to be a "superficial loss". If so, your loss will be deemed to be nil, and the amount of your loss will instead be added to the adjusted cost base of the units which are "substituted property".

If you redeem a unit of the Fund, the Fund may, to the maximum extent permitted by the Tax Act, allocate to you such amount of capital gains that result from the disposition of assets of the Fund undertaken to permit or facilitate such redemption of unit. In such cases, for the purposes of the Tax Act, the taxable portion (i.e., 50% to 67%) of such capital gains allocated to you by the Fund will be included in your income and the full amount of such capital gains will be excluded from your proceeds of disposition of the unit.

In general, the aggregate adjusted cost base of your units of a particular class of the Fund equals:

- your initial investment in the class (including any sales charges paid)
- plus the cost of any additional investments in the class (including any sales charges paid)
- plus the adjusted cost base of any units of other classes of the Fund that were changed into units of the particular class of the Fund
- plus reinvested distributions
- minus the capital returned in any distributions
- minus the adjusted cost base to you, at the time of any previous redemptions, of the units redeemed at that time
- minus the adjusted cost base to you, at the time any units of the particular class of the Fund were changed into units of other classes of the Fund, of the units so converted.

The adjusted cost base to you of a unit at a particular time will generally be the average adjusted cost base to you of all units of that class of that Fund at that time. If the adjusted cost base of your units is reduced to less than zero, you will be deemed to have realized a capital gain equal to, and the adjusted cost base to you of your units will be increased by, such negative amount.

Under the alternative minimum tax ("AMT") provisions of the Tax Act, an individual may be required to pay a minimum tax computed by reference to the individual's "adjusted taxable income" for that year. In computing adjusted taxable income, an individual must generally include all taxable dividends (without application of the gross-up and credit treatment normally applied to such dividends) and 80% of capital gains. Whether and to what extent the tax liability of a Unitholder may be increased by the alternative minimum tax will depend on the amount of the Unitholder's income, the sources from which it is derived, and the nature and amount of any deductions claimed. Any additional tax payable by a Unitholder for a year which results from the application of the minimum tax provisions may generally be carried forward and applied by the Unitholder against his or her Part I tax otherwise payable in any of the seven immediately following taxation years. The 2023 Federal Budget and the 2024 Federal Budget have both proposed changes to the AMT provisions of the Tax Act effective for years beginning after 2023, which include proposals to broaden the inclusion rate of capital gains from 80% to 100%, reduce the deduction rate of capital losses from 80% to 50%, reduce deductions for investment counsel and management fees from 100% to 50%, raise the AMT exemption amount, and increase the AMT rate from 15% to 20.5%.

We will generally issue a tax statement to you each year identifying the distributions made to you in the previous year. You should keep detailed records of the purchase costs, sales charges and distributions related to your units as this is the only way to accurately calculate the adjusted cost base of those units. Determination of adjusted cost base can involve complex issues and we recommend that you obtain legal and/or tax advice to assist you with those calculations.

For Units Held in a Registered Plan

It is expected that the Fund will qualify as a “mutual fund trust” for purposes of the Tax Act and intends to remain so qualified. If the Fund were not to qualify, the income tax consequences would differ materially from those described below. Accordingly, units of the Fund will be qualified investments under the Tax Act for Registered Plans. If units of the Fund are held in a Registered Plan, distributions from the Fund and capital gains from a disposition of the units will generally not be subject to tax under the Tax Act until withdrawals are made from the plan. Withdrawals from a TFSA and FHSA are generally not subject to tax.

Notwithstanding that units of the Fund may, at a particular time, be qualified investments for a trust governed by a RRSP, RRIF, RDSP, TFSA, FHSA or RESP, the annuitant of the RRSP or RRIF, holder of the RDSP or TFSA or FHSA or subscriber of the RESP, as the case may be (such annuitant, holder or subscriber being a “Controlling Individual” of the RRSP, RRIF, RDSP, TFSA, FHSA or RESP), will be subject to a penalty tax with respect to units held in the RRSP, RRIF, RDSP, TFSA, FHSA or RESP if such units are “prohibited investments” for the RRSP, RRIF, RDSP, TFSA, FHSA or RESP within the meaning of the Tax Act. Provided that the Controlling Individual of a RRSP, RRIF, RDSP, TFSA, FHSA or RESP does not hold a “significant interest” (as defined in the Tax Act) in the Fund and provided that such holder deals at arm's length with the Fund for the purposes of the Tax Act, units of the Fund will not be “prohibited investments” for the RRSP, RRIF, RDSP, TFSA, FHSA or RESP. In general terms, a Controlling Individual of a RRSP, RRIF, RDSP, TFSA, FHSA or RESP will have a significant interest in the Fund if the Controlling Individual, together with any other persons and partnerships with which the Controlling Individual does not deal at arm's length, hold, directly or indirectly through one or more trusts (including Registered Plans), 10% or more of the value of the outstanding units of the Fund. You should consult with your own tax advisor as to whether units of the Fund would be a prohibited investment if held in your RRSP, RRIF, RDSP, TFSA, FHSA or RESP, having regard to your own particular circumstances.

Information Exchange

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-US Tax Convention entered into between Canada and the United States (the “IGA”), and related Canadian legislation, the Fund and the Manager are required to report certain information with respect to Unitholders who are US tax residents and/or US citizens (including US citizens who are residents or citizens of Canada), and certain other “US Persons” as defined under the IGA (excluding registered plans such as RRSPs), to the CRA. The CRA will then exchange the information with the US Internal Revenue Service.

Pursuant to the implementation, under Part XIX of the Tax Act, of the Common Reporting Standard (“CRS”) developed by the Organisation for Economic Co-operation and Development, the Fund and the Manager may be required to report certain information with respect to Unitholders who are tax residents in a jurisdiction other than Canada or the US, and certain other reportable persons, to the CRA. The CRA will then exchange this information with each CRS participating jurisdiction.

WHAT ARE YOUR LEGAL RIGHTS?

Securities legislation in some provinces and territories gives you the right to withdraw from an agreement to buy mutual fund units within two business days of receiving this Simplified Prospectus or fund facts document, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation of some provinces and territories also allows you to cancel an agreement to buy mutual fund units and to get your money back, or to make a claim for damages, if this Simplified Prospectus, fund facts

document, management report of fund performance or financial statements misrepresent any facts about the Fund. You must act within the time limits set by law in the applicable province or territory.

For more information, refer to securities legislation of your province or territory or consult your lawyer.

EXEMPTIONS AND APPROVALS

The Fund is subject to certain restrictions and practices contained in securities legislation, including NI 81-102, which are designed, in part, to ensure that the investments of mutual Fund are diversified and relatively liquid and to ensure the proper administration of the Fund.

Pursuant to exemptive relief granted on September 26, 2023, certain Pender Funds, including the Fund, are exempt from the restriction found in section 2.4 of NI 81-102, subject to certain conditions, in order to permit the following:

- (a) a Pender Fund that is a “Qualified Institutional Buyer” (as defined in §230.144A of the Securities Act of 1933, as amended (the “US Securities Act”)), may purchase fixed income securities that, at the time of purchase, qualify for, and may be traded pursuant to, the exemption from the registration requirements of the US Securities Act, as set out in Rule 144A of the US Securities Act (“Rule 144A”) for resales of certain fixed income securities (“144A Securities”) to Qualified Institutional Buyers, in excess of 10% of the Pender Fund’s NAV if the Pender Fund is a mutual fund and in excess of 20% of the Pender Fund’s NAV if the Pender Fund is a non-redeemable investment fund;
- (b) a Pender Fund may hold 144A Securities purchased as a Qualified Institutional Buyer for a period of 90 days or more, in excess of 15% of the fund’s NAV if the Pender Fund is a mutual fund and in excess of 25% of the Pender Fund’s NAV if the Pender Fund is a non-redeemable investment fund; and
- (c) a Pender Fund that is a Qualified Institutional Buyer may not be required to take steps to reduce the fund’s holdings of 144A Securities to (i) 15% of the Pender Fund’s NAV if the Pender Fund is a mutual fund and its holdings of 144A Securities exceeds 15% of the Pender Fund’s NAV, or (ii) 25% of the Pender Fund’s net asset value if the Pender Fund is a non-redeemable investment fund and its holdings of 144A Securities exceeds 25% of the Pender Fund’s NAV. Not all Pender Funds may utilize the relief granted under this exemption; any such reliance will depend on each Pender Fund’s specific strategy, as determined in the discretion of the Manager. See the Fund’s “*Fund Details*” below for more information.

Pursuant to exemptive relief granted on November 30, 2023, certain Pender Funds, including the Fund, may rely on the following exemptions:

- (a) an exemption from the requirement found in section 6.1(1) of NI 81-102 to permit a fund to deposit portfolio assets with a borrowing agent that is not the Fund’s custodian or sub-custodian in connection with a short sale of securities, if the aggregate market value of the portfolio assets held by the borrowing agent after such deposit, excluding the aggregate market value of the proceeds from outstanding short sales of securities held by the borrowing agent, does not exceed a certain limit in respect of a fund’s NAV at the time of the deposit, which limit is, in the case of a fund such as the Fund, 10% of its NAV at the time of deposit; and
- (b) an exemption from the requirement in section 6.1(1) of NI 81-102 solely to permit a fund to appoint more than one custodian, subject to certain conditions.

CERTIFICATE OF THE FUND, THE MANAGER AND THE PROMOTER

November 15, 2024

This Simplified Prospectus and the documents incorporated by reference into this Simplified Prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by this Simplified Prospectus, as required by the securities legislation of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Québec, Saskatchewan, Northwest Territories, Nunavut, and Yukon and do not contain any misrepresentations.

PENDERFUND CAPITAL MANAGEMENT LTD.

on behalf of the Fund, in its capacity as Manager, Promoter and Trustee of the Fund

(signed) "David Barr"

David Barr

Chief Executive Officer

(signed) "Gina Jones"

Gina Jones

Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF
PENDERFUND CAPITAL MANAGEMENT LTD.**

on behalf of the Fund, in its capacity as Manager, Promoter and Trustee of the Fund

(signed) "Kelly Edmison"

Kelly Edmison

Director

(signed) "Felix Narhi"

Felix Narhi

Director

PART B – FUND SPECIFIC INFORMATION

SPECIFIC INFORMATION ABOUT THE MUTUAL FUND DESCRIBED IN THIS DOCUMENT

What is a Mutual Fund and What are the Risks of Investing in a Mutual Fund?

A mutual fund is a pool of money contributed by people with similar investment objectives. People who contribute money become unitholders of the mutual fund. Unitholders share the mutual fund's income, expenses, and any gains and losses the mutual fund makes on its investment portfolio, generally in proportion to the number of units they own. The value of an investment in a mutual fund is realized by redeeming the units held. Where a mutual fund issues more than one class of units, the unitholders share in the mutual fund's income, expenses and any gains and losses allocated to the particular class of units held by the unitholder in proportion to the units they own as of that date.

In Canada, a mutual fund can be established either as a mutual fund trust or as a mutual fund corporation.

What are the General Risks of Investing in a Mutual Fund?

Risk is the chance that your investment may not perform as expected. There are different degrees and types of risk but, in general, the more investment risk you are willing to accept, the higher your potential returns and the greater your potential losses. The general risks include:

Price fluctuation

Mutual funds own different types of investments, depending on their investment objectives. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions, market and company news, and global or regional political, economic, health and banking crises. As a result, the value of a mutual fund's units may go up and down and the value of your investment in a mutual fund may be worth more or less when you redeem it than when you purchased it.

In addition to changes in the condition of markets generally, unexpected and unpredictable events such as wars, natural or environmental disasters, a widespread health crisis or pandemic, terrorism and related geopolitical risks may lead to increased market volatility in the short term and may have adverse long-term effects on local and world economies and markets, including U.S., Canadian and other economies and securities markets. These events could reduce consumer demand or economic output, result in market closures, travel restrictions or quarantines, and significantly adversely impact the economy. These types of unexpected and unpredictable events could have a significant impact on a mutual fund and its investments and could also result in fluctuations in the value of a mutual fund.

Your investment is not guaranteed

The value of your investment in a mutual fund is not guaranteed. Unlike bank accounts or guaranteed investment certificates, mutual fund units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

Redemptions may be suspended

Under exceptional circumstances, your right to redeem your units may be suspended. See "Redemptions" above for details.

What are the Specific Risks of Investing in a Mutual Fund?

Each mutual fund has specific risks. If a mutual fund invests in an underlying fund, the risks of the mutual fund include the risks of the underlying fund. A mutual fund takes on the risks of an underlying fund in proportion to its investment in that underlying fund.

The “*Fund Details*” of the Fund, sets out the risks that apply to the Fund and any underlying funds in which the Fund invests. Following, in alphabetical order, is a description of each of those risks:

Arbitrage risk

Arbitrage investing involves the risk that an expected corporate transaction will not be consummated or will not be consummated as expected and the Fund will experience a loss.

Business risk

There can be no guarantee against losses resulting from an investment in units of a mutual fund and there can be no assurance that a mutual fund’s investment approach will be successful or that its investment objectives will be attained. A mutual fund can realize substantial losses rather than gains, from some or all of the investments within its investment portfolio. Income trusts or companies that pay a significant amount of their income as dividends may have difficulty in maintaining their distribution of income or dividends and consequently the income to the mutual fund and the price of their securities may decline and part or all of the amount of distributions by the mutual fund may be treated as a return of capital rather than income for tax purposes for its investors.

Changes in legislation risk

There can be no assurance that applicable laws, or other legislation, legal and statutory rights will not be changed in a manner which adversely affects a mutual fund and its unitholders or that proposed changes in legislation will be enacted as proposed, or at all. There can be no assurance that income tax, securities, and other laws or the interpretation and application of such laws by courts or government authorities will not be changed in a manner which adversely affects the distributions received by a mutual fund or by its unitholders or that proposed changes in legislation will be enacted as proposed, or at all.

Class risk

A mutual fund may offer more than one class of units. Each class typically has its own fees and expenses, which an investment fund manager tracks separately. If the expenses of one class cannot be paid using that class’ proportionate share of the mutual fund’s assets, the mutual fund will be required to pay these expenses out of the other classes’ proportionate share of the mutual fund’s assets. This could reduce the investment return of the other classes.

Closed end fund risk

Unlike a mutual fund, closed end funds trade on a stock exchange in the secondary market and typically do not redeem or issue shares on a daily basis. Investments in closed end funds come with a number of risks, some of which are listed below.

Market risk. Just like open-ended funds, closed-end funds are subject to market movements and volatility. The value of a closed end fund can decrease due to movements in the overall financial markets.

Interest rate risk. Changes in interest rate levels can directly impact income generated by a closed end fund. Funds that have a portfolio with a significant allocation to fixed income assets, like bonds, may be more exposed to this type of risk as interest rates change.

Other risks. Closed end funds are exposed to much of the same risk as mutual funds, including liquidity risk on the secondary market, credit risk, concentration risk and discount risk. If the closed end fund includes foreign market investments, it will be exposed to the typical foreign market risks, including currency, political and economic risk.

Commodity risk

If a mutual fund invests in natural resource companies or in income or royalty trusts based on commodities such as oil and gas, it will be affected by changes in commodity prices. Commodity prices tend to be cyclical and can move dramatically in short periods of time. In addition, new discoveries or changes in government regulations can affect the price of commodities.

Concentration risk

There are risks associated with any mutual fund that concentrates its investments in a particular company or a few companies. Concentrating investments allows the fund to focus on a particular company's potential, but it also means that the value of the fund tends to be more volatile than the value of a more diversified fund because a concentrated fund's value is affected more by the performance of the companies in which it has concentrated its investments.

Counterparty risk

The fund may enter into customized financial instrument transactions that are subject to the risk of credit failure or the inability of, or refusal by, the counterparty to perform its obligations with respect to such customized financial instrument transactions, which could subject the Fund to substantial losses.

Currency, foreign exchange and hedging risk

Currency risk. The value of investments denominated in a currency other than Canadian dollars is affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the investment is denominated. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investments rises. When the value of the Canadian dollar rises, the value of foreign investments falls. A mutual fund may convert its Canadian dollars to foreign currency to buy a foreign security and when it sells the foreign security, may convert the foreign currency to Canadian dollars. As a result, if the value of the Canadian dollar has risen and the market value of the security stayed the same, the mutual fund will lose money on that investment.

Foreign currency exposure risk. Securities included in a mutual fund may be valued in or have exposure to currencies other than the Canadian dollar and, accordingly, each class net asset value will, when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar.

Hedging risk. Various hedging techniques may be used in an attempt to reduce certain risks, such as, for example, hedging the risks of both short-selling and taking long positions in certain transactions. Recalculations and adjustments to specific position hedges will be performed as market conditions warrant. If market conditions are analyzed incorrectly or a risk reduction strategy is employed that does not correlate well with a mutual fund's investments, a mutual fund's risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return.

Hedging currency risks. For investments denominated in foreign currencies, an investment fund manager may hedge the Canadian dollar exposure to the foreign currency in whole or in part. There can be no assurance that gains or losses on currency hedging transactions will be matched in timing or characterization with losses and gains on the securities valued in foreign currencies in which a mutual fund invests. Recalculations and adjustments to specific position hedges will be performed as market conditions

warrant. The use of currency hedging could result in a mutual fund incurring losses as a result of the imposition of exchange controls, suspension of settlements, or the inability to deliver or receive a specified currency. Unanticipated changes in currency exchange rates may result in an overall poorer performance than if currency risks had not been hedged. If market conditions are analyzed incorrectly or a risk reduction strategy is employed that does not correlate well with a mutual fund's investments, a mutual fund's risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return.

Cybersecurity and business continuity risk

The information and technology systems of an investment fund manager and a fund administrator may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although an investment fund manager may have implemented, and/or fund administrator may maintain, various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, an investment fund manager and/or a fund administrator may have to make a significant investment to fix or replace them and to prevent cyber incidents in the future. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in an investment fund manager, a mutual fund's and a fund administrator's operations (including impediments to trading and the ability to calculate the a fund's NAV). Such a failure could harm an investment fund manager's and/or a fund administrator's reputation, cause any such entity and their respective affiliates to be in violation of applicable privacy and other laws, subject any such entity and their respective affiliates to legal claims and to incur regulatory fines, penalties, additional compliance costs associated with the implementation of any corrective measures, and/or financial loss, and otherwise affect their business and financial performance. Furthermore, a fund cannot control the cyber security plans and systems of a fund's service providers or issuers of securities in which a fund invests.

Depository securities and receipts risk

In some cases, rather than directly holding securities of non-Canadian and non-U.S. companies, a mutual fund may hold these securities through a depository security and receipt (an "ADR" -- American Depository Receipt, a "GDR" -- Global Depository Receipt, or an "EDR" -- European Depository Receipt). A depository receipt is issued by a bank or trust company to evidence its ownership of securities of a non-local corporation. The currency of a depository receipt may be different than the currency of the non-local corporation to which it relates. The value of a depository receipt will not be equal to the value of the underlying non-local securities to which the depository receipt relates as a result of a number of factors. These factors include the fees and expenses associated with holding a depository receipt, the currency exchange relating to the conversion of foreign dividends and other foreign cash distributions into local currencies, and tax considerations such as withholding tax and different tax rates between the jurisdictions. In addition, the rights of a mutual fund, as a holder of a depository receipt, may be different than the rights of holders of the underlying securities to which the depository receipt relates, and the market for a depository receipt may be less liquid than that of the underlying securities. The foreign exchange risk will also affect the value of the depository receipt and, as a consequence, the performance of a mutual fund holding the depository receipt. As the terms and timing with respect to the depository for a depository receipt are not within the control of a mutual fund or its portfolio manager and if the portfolio manager chooses only to hold depository receipts rather than the underlying security, a mutual fund may be forced to dispose of the depository receipt, thereby eliminating its exposure to the non-local corporation, at a time not selected by the portfolio manager, which may result in losses to the mutual fund or the recognition of gain at a time which is not opportune for the mutual fund.

Derivative risk

A derivative is a contract or security whose value and cash flow pattern is derived from another underlying security, such as a stock or bond, or from an economic indicator such as an interest rate or stock market index.

For example, two of the most common derivatives are forward contracts and options, which are described below.

A forward or futures contract is an agreement to buy and sell currency, commodities or securities at an agreed price at a specified time in the future.

An option gives the buyer the right, but not the obligation, to buy or sell the currency, commodities or securities at an agreed price within a certain period of time.

Mutual funds may use derivatives to limit potential losses associated with currencies, stock markets and interest rates. This process is called hedging. Mutual funds may also use derivatives for non-hedging purposes – to reduce transaction costs, achieve greater liquidity, create effective exposure to international financial markets or increase speed and flexibility in making portfolio changes. Although derivatives are often used by funds to reduce risk, they have their own kinds of risk including the following:

- The use of derivatives for hedging may not be effective;
- Some derivatives, such as call options, may limit a mutual fund's potential for gain;
- Options and futures contracts may be more volatile and result in higher costs than an investment in the underlying security and may involve an initial investment that is small relative to the risk involved;
- The cost of entering into and maintaining derivative contracts may reduce a mutual fund's total return to investors;
- The price of a derivative may not accurately reflect the value of the underlying currency or security;
- There is no guarantee that a market will exist when a mutual fund wants to buy or sell the derivative contract. This could prevent the fund from realizing a profit or limiting its losses;
- If the other party (the counterparty) to a derivative contract is unable to meet its obligations, a fund may not realize the benefit intended to be secured by the investment and the fund may experience a loss;
- Stock exchanges may set daily trading limits on derivatives. This could prevent a mutual fund from closing a contract; and
- The regulation of derivatives is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory changes may make it more difficult, or impossible, for a fund to use certain derivatives.

Derivative agreement risk - Regulatory changes or market conditions may, in the future, limit a mutual fund's ability to increase its exposure through existing derivative agreements or to enter into new derivative agreements, and may require that a mutual fund reduce or eliminate its existing exposure, possibly to an extent that is prohibitively expensive, in which case the mutual fund may determine that it is in the best interest of the mutual fund to terminate the derivative agreement. There is no assurance that a mutual fund will be able to maintain or increase its exposure under derivative agreements on acceptable terms with a counterparty or any other substitute counterparty.

Derivative counterparty risk - A mutual fund may pledge cash up to the value of the amount payable by the fund under a derivative agreement as security in order to secure its obligations under each of the derivative agreements that a mutual fund is a party to. The counterparty will pledge securities to the mutual fund (which may include units of a reference fund) or enter into another collateral arrangement to fully secure its obligations to the fund under derivative agreements. The possibility exists that the counterparty will default on its obligations under a derivative agreement in which case a mutual fund will not receive delivery of units of the reference fund or the return of collateral pledged as security.

Equity risk

Companies issue equities, or stocks, to help finance their operations and future growth. Mutual funds that purchase equities become part owners in these companies. The price of a stock is influenced by the company's performance outlook, market activity and the larger economic picture. When the economy is expanding, the outlook for many companies will generally be good and the value of their stocks should rise. The opposite may also be true. Usually, the greater the potential reward, the greater the risk.

For small companies, start-ups, resource companies and companies in emerging sectors, the risks and potential rewards are usually greater. The share price of such companies is often more volatile than the share price of larger, more established companies. Some of the products and services offered by technology companies, for example, can become obsolete as science and technology advance. Certain convertible securities may also be subject to interest rate risk. See "*Interest rate risk*".

ESG investment strategies or objectives risk

Some funds may have fundamental investment objectives based on certain environmental, social and governance ("ESG") criteria. Other funds may employ ESG analysis as a component of their investment strategies. ESG criteria, like any other metric through which investments in securities may be measured, are subject to uncertainty, limitations, and discretion. ESG methodologies and strategies may limit the types and number of investment opportunities available to a fund and, as a result, a fund may deviate from a benchmark or the performance of comparable funds that do not have an ESG focus.

Further, a fund that utilizes an Index to achieve an ESG based investment objective or strategy will generally not be able to eliminate the possibility of an Index having exposure to companies that exhibit negative ESG characteristics and/or companies that are involved in severe controversies or materially involved in specified business activities that some may consider to be inconsistent with a restrictive ESG-oriented investment approach. Subject to applicable securities law, the methodology of the Indices may also change from time to time for any reason, including as a result of changes to ESG principles generally.

ETF index risks

A mutual fund may invest in exchange traded funds ("ETFs") which (i) invest in securities that are included in one or more indices in substantially the same proportion as those securities are reflected in a referenced index or indices, or (ii) invest in a manner that substantially replicates the performance of such a referenced index or indices, whether on a leveraged or unleveraged basis.

Calculation and termination of the indices risk - If the computers or other facilities of the index providers or a stock exchange malfunction for any reason, calculation of the value of the indices and the determination by the manager of the prescribed number of units or shares and baskets of securities may be delayed and trading in units or shares of the ETF may be suspended for a period of time. In the event that an index provider ceases to calculate the indices or the license agreement with the manager of an ETF is terminated, the manager of the ETF may terminate the relevant ETF, change the investment objective of the ETF or seek to replicate an alternative index (subject to investor approval in accordance with the ETF's constating documents), or make such other arrangements as the manager determines.

Cease trading of constituent securities risk - If constituent securities of the indices are cease traded at any time by order of a stock exchange, a securities regulatory authority or other relevant regulator, the manager of the ETF may suspend the exchange or redemption of units or shares of the ETF until such time as the transfer of the securities is permitted by law.

Index investment strategy risk - The indices on which the ETFs are based were not created by the index providers for the purpose of the ETFs. The index providers have the right to make adjustments or to cease

calculating the indices without regard to the particular interests of the manager of the ETF, the ETF or the investors in the ETF.

Rebalancing and adjustment risk - Adjustments to baskets of securities held by ETFs to reflect rebalancing of and adjustments to the underlying indices on which they are based will depend on the ability of the manager of the ETF and its brokers to perform their respective obligations. If a designated broker fails to perform, an ETF would be required to sell or purchase, as the case may be, constituent securities of the index on which it is based in the market. If this happens, the ETF would incur additional transaction costs that would cause the performance of the ETF to deviate more significantly from the performance of such index than would otherwise be expected.

Risk of not replicating the indices - The ETFs will not replicate exactly the performance of the underlying indices on which they are based because the total return generated will be reduced by the management fee payable to the manager of the ETF and transaction costs incurred in adjusting the portfolio of securities held by the ETFs and other expenses of the ETFs, whereas such transaction costs and expenses are not included in the calculation of such indices. It is also possible that, for a short period of time, the ETFs may not fully replicate the performance of such indices due to the temporary unavailability of certain securities that are included in an index in the secondary market or due to other extraordinary circumstances.

Tracking error risk - Deviations in the tracking by an ETF of the index on which it is based could occur for a variety of reasons. For example, where an ETF tenders securities under a successful takeover bid for less than all securities of a constituent issuer and the constituent issuer is not taken out of the applicable index, the ETF would be required to buy replacement securities for more than the takeover bid proceeds. Adjustments to the basket of securities necessitated by the rebalancing of or adjustment to an index could affect the underlying market for constituent securities of the applicable index, which in turn would be reflected in the value of that index. Similarly, subscriptions for units or shares of an ETF by designated brokers and underwriters may impact the market for constituent securities of the index, as the designated broker or underwriter seeks to buy or borrow such securities to constitute baskets of securities to deliver to the ETF as payment for the units or shares to be issued.

ETF industry sector risk

A mutual fund may invest in ETFs that provide exposure to securities involving industry sector risks. Investing in one specific sector of the stock market entails greater risk (and potential reward) than investing in all sectors of the stock market. If a sector declines or falls out of favour, the share values of most or all of the companies in that sector will generally fall faster than the market as a whole. The opposite is also true. An industry can be significantly affected by, amongst other things, supply and demand, speculation, events relating to international political and economic developments, energy conservation, environmental issues, increased competition from other providers of services, commodity prices, regulation by various government authorities, government regulation of rates charged to customers, service interruption due to environmental, operational or other mishaps, the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards, and general changes in market sentiment. Moreover, it is possible that other developments, such as increasingly strict environmental and safety laws and regulations and enforcement policies thereunder and claims for damages to property or persons resulting from operations, could result in substantial costs and liabilities, delays or an inability to complete projects or the abandonment of projects. Exposure to equity securities that have exposure to commodity markets may entail greater volatility than traditional securities. The value of securities exposed to commodity markets may be affected by commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes and tariffs. The extent of these factors cannot be accurately predicted and will change from time to time, but a combination of these factors may result in issuers not receiving an adequate return on invested capital. Many industries are very competitive and involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome.

Financial system risk

Financial system risk refers to the possibility of a disruption or failure in the financial system that could lead to adverse economic consequences, such as a financial crisis or recession. This type of risk can arise from a variety of sources, including external events such as natural disasters or geopolitical tensions, as well as internal factors such as system-wide imbalances, inadequate regulatory oversight, or the failure of individual financial institutions.

Foreign market risk

The value of foreign investments may be affected by factors not typically associated with investments in Canada. For example, there may be less information about foreign companies, lower standards of government supervision and regulation, and different accounting and financial reporting standards in foreign financial markets. In addition, foreign investments sometimes cannot be sold as quickly or as easily as similar investments in Canada. Political, social and economic developments can also negatively affect the value of foreign investments. Investments in foreign markets may be subject to changes in currency exchange rates or exchange restrictions, the imposition of taxes or the expropriation of assets, all of which can affect the value of these investments. The value of mutual funds that invest in emerging markets may fluctuate more than those that invest in developed markets.

Fund-on-fund risk

Some funds (called individually a “Top Fund” and collectively, “Top Funds”) invest in Underlying Funds. Upon making such an investment, the Top Fund becomes subject to the risks of the Underlying Fund. A change in the investment objective strategy or holdings in an Underlying Fund may have an impact on the performance or management of the Top Fund. For example, if the Top Fund makes a significant investment or divestment in an Underlying Fund, the Underlying Fund may have to alter its portfolio significantly which may affect the net asset value, performance or diversification of the Underlying Fund. Although a fund-on-fund strategy may appear as a more passive investment strategy for a Top Fund, a change in the investment objective, strategy or holdings in an Underlying Fund may necessitate that an investment fund manager of the Top Fund engages in a rebalancing or reallocation of that Top Fund, which could have an effect on its performance, or diversification, or give rise to a taxable gain or loss. If the Underlying Funds do not perform as expected, a loss may be incurred by the Top Fund. If an Underlying Fund suspends redemptions, the Top Fund may be unable to value part of its portfolio and may be unable to redeem its units of the Underlying Fund which may have an adverse impact on the Top Fund. Where a Top Fund has invested in one or more Underlying Funds, the specific risks, assets, objectives and strategies of the Underlying Funds may not be mirrored in the Fund Details of the Top Fund provided that the Underlying Fund otherwise fits within the Top Fund’s investment objective and strategy.

Income trust and REIT risk

An income trust generally holds debt and/or equity securities of an underlying active business or is entitled to receive a royalty on revenues generated by such business. Distributions and returns on income trusts are neither fixed nor guaranteed. In addition, mutual funds that invest in income trusts such as oil, gas and other commodity-based royalty trusts, real estate investment trusts (“REITs”) and pipeline and power trusts will have other varying degrees of risk depending on the sector and the underlying asset or business. These may include business developments such as a decision to expand into a new type of business, the entering into of an unfavourable supply contract, the cancellation by a major customer of its contract or significant litigation.

Many income trusts, including REITs are governed by laws of a province of Canada or of a state of the United States that limit the liability of unitholders of the income trust from a particular date. A mutual fund may also invest in income trusts, including REITs, in Canada, the US and other countries that are not governed by similar laws. There is a risk that unitholders of an income trust, which may include a mutual fund, could be held liable for any claims against the income trust that are not covered under these laws. This could reduce the value of a mutual fund. Income trusts generally try to minimize this risk by including provisions in their agreements that their obligations will not be personally binding on unitholders. However, the income trust still has exposure to damage claims not arising from contracts, such as personal injury and environmental claims in the case of REITs.

Lack of operating history risk

The Fund is a newly-formed investment vehicle with a short operating history and earnings record. The Fund has a limited history of business operations and has nominal assets. There is no assurance that the Fund will be able to successfully achieve its investment objective or operate profitably over the short or long-term. Investors will have to rely on the expertise and good faith of the Manager to carry on the business of the Fund.

Lack of separate counsel risk

Counsel for a fund in connection with its offering may also be counsel to the investment fund manager. The Unitholders, as a group, may not have been represented by separate counsel and counsel for the mutual fund and the investment fund manager would not purport to have acted for the Unitholders or to have conducted any investigation or review on their behalf.

Large transaction risk

Any large transaction made by an institutional or individual investor could significantly impact a mutual fund's cash flow. If the investor buys large amounts of units of a particular mutual fund, the mutual fund could temporarily have a high cash balance. Conversely, if the investor redeems large amounts of units of a particular mutual fund, the mutual fund may be required to fund the redemption by selling securities at an inopportune time. These liquidations may cause the mutual fund to incur losses if the mutual fund is required to sell investments at unfavourable prices and could substantially reduce the value of the fund if numerous redemptions are made at the same time. Such asset liquidation may also trigger tax consequences, such as the characterization of certain profits as ordinary income or losses rather than as capital gains or capital losses.

Liquidity risk

Liquidity risk is the possibility that investments in a fund cannot be readily converted into cash when required.

The fund may invest in securities that are considered liquid or illiquid. There are, however, restrictions under applicable securities regulations on the amount of illiquid securities a mutual fund may hold.

Closed-end funds, also known as non-redeemable investment funds, are not mutual funds and typically do not redeem or issue shares on a daily basis. See also "*Closed End Fund Risk*".

Securities are considered illiquid if it is more difficult to convert the securities to a liquid investment, such as cash. Whether by law or by contract, illiquid securities cannot be readily disposed of through market facilities due to resale restrictions, or are securities that functionally hold no market price due to the divorce of their last quoted market price from the actual price that they can be sold at.

The value of a mutual fund that directly or indirectly holds illiquid securities may rise and fall substantially because the mutual fund or underlying fund may not be able to sell the securities for the value used in calculating the NAV of the mutual fund or underlying fund.

Liquidity risk may increase during disruptive events (economic, environmental, political, public health, terrorism, etc.) as such events may lead to more volatile markets. Securities previously considered liquid may also quickly and unpredictably become illiquid, especially where debt securities are concerned, in markets that are highly volatile.

Market disruption risk

Market disruption risk is the risk that markets as a whole may go down in value, including the possibility that markets may go down sharply and unpredictably at times leading to short-term market volatility or even adverse long-term effects on domestic and global economies and markets. The value of most investments, and in particular equity

securities, is affected by changes in general market conditions. The effects of such unexpected disruptive events cannot be predicted and may adversely affect the value of a fund's portfolio. These changes may be caused by corporate developments, bank or financial institution failures, general negative market sentiment, changes in interest rates, changes in the level of inflation and/or persistent inflationary pressure, geopolitical risks, catastrophic events, such as pandemics and outbreaks of disease, natural disasters including those exacerbated by climate change, war, acts of aggression or terrorist events, civil unrest and other unforeseen events that may cause changes to markets.

Net asset value risk

The net asset value of each class of units that comprise a mutual fund may fluctuate with changes in the market value of the investments attributable to that class. Such changes in market value may occur as a result of various factors, including the risk factors identified above and material changes in the intrinsic value of an issuer whose securities are held by the mutual fund.

No assurance of return risk

Although a fund manager will use its best efforts to achieve superior rates of return for a mutual fund, no assurance can be given in this regard. An investment in units should be considered speculative and investors must be able to bear the risk of a complete loss of their investment.

Portfolio manager risk

All mutual funds are dependent on their portfolio management team to select individual securities and are therefore subject to the risk that poor security selection will cause a fund to underperform relative to other funds with similar investment objectives.

Portfolio turnover risk

The operation of a mutual fund may result in a high annual portfolio turnover rate. A mutual fund may not place any limit on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the investment fund manager, investment considerations warrant such action. A high rate of portfolio turnover generally results in correspondingly greater expenses than a lower rate (e.g., greater transaction costs such as brokerage fees). The higher a mutual fund's portfolio turnover rate in a year, the greater the chance that a distribution from the mutual fund must be included in computing your income tax for tax purposes for that year.

Potential conflicts of interest risk

A mutual fund may be subject to various conflicts of interest due to the fact that an investment fund manager is engaged in a wide variety of management, advisory and other business activities. An investment fund manager's investment decisions for each mutual fund will be made independently of those made for the other funds managed by an investment fund manager and other clients of an investment fund manager and independently of its own investments. However, on occasion, an investment fund manager may make the same investment for a mutual fund and one or more of the other funds managed by an investment fund manager or its other clients. Where the particular mutual fund and one or more of the other funds managed by an investment fund manager or clients of an investment fund manager are engaged in the purchase or sale of the same security, the transaction will be effected on an equitable basis. An investment fund manager will allocate opportunities to make and dispose of investments equitably among clients with similar investment objectives having regard to whether the security is currently held in any of the relevant investment portfolios, the relative size and rate of growth of the particular mutual fund and the other funds managed by an investment fund manager or clients under common management and such other factors as an investment fund manager considers relevant in the circumstances.

Private company risk

There are risks associated with investing in private company securities. There is typically much less available information concerning private companies than for public companies. The valuation of private company securities is also more subjective and such securities are very illiquid as there are no established markets for the securities of these companies. As a result, in order to sell this type of holding, a fund may need to discount the securities from recent prices or dispose of the securities over a relatively long period of time.

Public health crises risk

Business, operations and the financial condition of the issuers of securities that a mutual fund invests in could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises. Such public health crises can result in operating, supply chain and project development delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns. Government regulation and prevention measures, or a fear of any of the foregoing could affect commodity prices, interest rates, credit ratings, credit risk and inflation. The Manager or issuers of securities in which a mutual fund invests may experience risks to employee health and safety or business interruptions including suspended or reduced operations, expenses and delays relating to such public health crises and other such events outside of their control, all of which could have a material adverse impact on business, operating results, financial condition and the market for securities. It is difficult to estimate the ultimate impact or duration of such events on a mutual fund or the entities in which it invests.

Rebalancing risk

Rebalancing risk arises when the weights of two or more components of an overall portfolio are to be kept in a specific ratio, but the independent movement of each in the market demands that some of the components be bought or sold in order to restore the ratio back to its desired level. The greater the volatility of the components the greater the potential rebalancing required, and this leads to performance degradation over time.

Regulatory risk

Some industries, such as financial services, health care, telecommunications and resources, are heavily regulated and may receive government funding. Investments in these sectors may be substantially affected by changes in government policy, such as increased regulation, ownership restrictions, deregulation or reduced government funding. The value of a mutual fund that buys these investments may rise and fall substantially due to changes in these factors.

Securities lending risk

Mutual funds may engage in securities lending transactions in order to earn additional income. Securities lending involves lending securities held by a mutual fund to qualified borrowers who have posted collateral. In lending its securities, a mutual fund is subject to the risk that the borrower may not fulfill its obligations, leaving the mutual fund holding collateral worth less than the securities it has lent, resulting in a loss to the mutual fund.

For any mutual fund that engages in securities lending transactions, the investment manager of the fund reduces the risk to the funds by requiring the other party to put up collateral with a value of at least 102% of the market value of the security loaned. The value of the collateral is checked and reset daily. A mutual fund cannot lend more than 50% of the total value of its assets through securities lending.

Short selling risk

A short sale by a mutual fund involves securities that it borrows from a lender that are then sold by the mutual fund in the open market. At a future date, the securities are repurchased by the mutual fund and returned to the lender. While the securities are borrowed, the proceeds from the sale are deposited with the lender and the mutual fund

pays interest to the lender. If the value of the securities declines between the time that the mutual fund borrows the securities and the time it repurchases and returns the securities to the lender, the mutual fund realizes a profit on the difference (less any interest the mutual fund is required to pay to the lender). Short selling involves risk. There is no assurance that securities will decline in value during the period of the short sale and result in a profit for a mutual fund. Securities sold short may instead appreciate in value, resulting in a loss for a mutual fund. Unlike a purchase of a share where the maximum amount of the loss is the amount invested, the size of the loss in respect of a short sale is unlimited as there is no limit on the amount a security sold short may increase in value. A mutual fund may experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender may also recall borrowed securities at any time. The lender from whom a mutual fund has borrowed securities may go bankrupt and a mutual fund may lose the collateral it has deposited with the lender.

Small company risk

The investment risk associated with small companies may be higher than that associated with larger, more established companies due to various factors, which may include the greater business risks associated with the small size of the company, relative inexperience of the company, limited product lines, distribution channels, financial or managerial resources. Further, there is typically less publicly available information concerning smaller companies than for larger, more established companies. The securities of small companies are often traded on junior markets such as the TSX Venture Exchange or over-the-counter markets and may not be traded in the volumes typical of trading on a major stock exchange and therefore there is greater liquidity risk – see “*Liquidity risk*”. The prices of this type of security may be more volatile than those of larger companies.

Special-purpose acquisition company risk

A mutual fund may invest a portion of its assets in the stock, warrants, and other securities of special-purpose acquisition companies (“SPACs”) or similar special purpose entities that raise funds for the sole purpose of seeking potential acquisition opportunities. All assets (net of operating expenses) of the SPAC are invested in U.S. Government securities, money market fund securities and/or cash until an acquisition transaction is completed. Once the SPAC identifies a transaction, common holders have the right to vote on the transaction and also to decide whether to roll their equity in the transaction or redeem shares for their pro rata share of the escrow account holdings. Should the SPAC be unable to complete an acquisition that meets its defined requirements within a pre-established period of time, the invested funds are returned to the entity’s shareholders. SPACs may have specific risks, including increased volatility, associated with the regions or industries for which they pursue an acquisition. Since a SPAC is a new entity created for the purpose of acquiring another company or entity, it may have limited or no business operating history; this makes the pricing and liquidity of the security dependent on management’s ability to source and complete a profitable acquisition. Furthermore, these securities may trade in the over-the-counter market which may have associated issues with price sourcing and illiquidity.

Style risk

Each mutual fund is managed in accordance with a particular investment style. Focusing primarily on one particular investment style (e.g., value-oriented) to the exclusion of others may create risk in certain circumstances.

Tax loss restriction event risk

If a mutual fund experiences a “loss restriction event”, (i) the fund will be deemed to have a year-end for tax purposes (which could result in the fund being subject to tax unless it distributes its income and capital gains prior to such year-end), and (ii) the fund will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses, and realized and deemed to be realized capital losses expire at the time of the loss restriction event. Generally, a fund will be subject to a loss restriction event when a person becomes a “majority-interest beneficiary” of the fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate

modifications. Generally, a majority-interest beneficiary of a fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a beneficial interest in the fund that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, in the fund. Generally, a person is deemed not to become a majority-interest beneficiary, and a group of persons is deemed not to be a majority-interest group of beneficiaries of a fund as the result of an acquisition or disposition of units of the fund if the fund qualifies as an “investment fund” under the rules, including that the fund meets certain investment requirements.

Taxation policy risk

The value of investments and the proceeds from investments are affected significantly by the taxation laws and policies applicable to the investment. Taxation laws are set by government and are subject to change from time to time without notice and such changes are beyond the control of an investment fund manager.

U.S. regulation and tax risk

If the offering and sale of units of the Fund (i) has not been registered under the U.S. Securities Act or any similar United States state law, (ii) is not relying upon any exemption therefrom, or (iii) is for the Fund that is not required to be registered under the United States Investment Company Act of 1940, as amended (the “U.S. Investment Company Act”) then accordingly, unitholders may not have the benefits afforded generally by the provisions of the U.S. Investment Company Act (which, among other matters, require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be individually segregated from the securities of any other person and marked to clearly identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company). The Manager may be exempt from registration with the United States Securities and Exchange Commission pursuant to the United States Investment Advisers Act of 1940, as amended, and would therefore not be subject to the recordkeeping and other requirements thereunder.

An investment in the Fund by a person subject to taxation under the United States Internal Revenue Code of 1986, as amended, may have United States tax consequences. Such taxpayers should consult their tax advisors about the income tax consequences of acquiring or holding units.

Volatility risk

The value of securities in the Fund's portfolio may fluctuate, sometimes rapidly and unpredictably. The value of a security may fluctuate due to factors affecting markets generally or certain industries in particular. This volatility may impact the Fund's net asset value and the market price of the units of the Fund. Securities in the Fund's portfolio may be subject to price volatility and the prices may be more volatile than the market as a whole. Events or financial circumstances affecting individual securities or sectors may increase the volatility of the Fund.

The Fund described in this Simplified Prospectus is established as a mutual fund trust.

INVESTMENT RESTRICTIONS

This Simplified Prospectus contains detailed descriptions of the investment objectives, investment strategies and investment risks for the Fund. In addition, the Fund is subject to certain restrictions and practices contained in securities legislation, including *National Instrument 81-102 Investment Funds* (“NI 81-102”), which are designed, in part, to ensure that the investments of mutual funds are diversified and relatively liquid and to ensure the proper administration of the Fund. The Fund will be managed in accordance with these restrictions and practices. The Fund will obtain relief from the securities regulatory authorities before implementing any variations from these restrictions and practices. A copy of the investment restrictions and practices applicable to and adopted by the Fund may be obtained from the Manager upon request.

The fundamental investment objectives of the Fund are set out in this Simplified Prospectus. Any change in the investment objectives of the Fund requires the approval of a majority of Unitholders at a meeting called for that purpose. We may change the Fund's investment strategies from time to time at our sole discretion.

See “*Exemptions and Approvals*” above for a description of all exemptions from, or approval to, NI 81-101, NI 81-102 and NI 81-105, as applicable, obtained by the Fund or the Manager that continue to be relied on by the Fund or the Manager.

The Fund has or will engage in any undertaking other than the investment of its fund property for purposes of the Tax Act. The Fund which is or becomes a registered investment will not acquire an investment which is not a “qualified investment” under the Tax Act if, as a result thereof, the Fund would become subject to a material amount of tax under Part X.2 of the Tax Act.

DESCRIPTION OF UNITS OFFERED BY THE FUND

General

The Fund is authorized to have an unlimited number of classes of units and may issue an unlimited number of units of each class. The following table lists the classes of the Fund has created and authorized, and offers for purchase under this Simplified Prospectus:

Conventional Fund	Classes Authorized	Classes Offered for Purchase
Pender US Small/Mid Cap Equity Fund	A, E, F, O	A, E, F, O

The Fund is authorized to have an unlimited number of classes of units and may issue an unlimited number of units of each class.

The classes authorized by the Fund are set forth under the heading “*Fund Details*” of the Fund below.

This Simplified Prospectus only qualifies the distribution of each of the units of the Fund set forth on the cover of this document.

Without your consent or notice to you, the Manager may establish additional classes of units of the Fund and may determine the rights as between those classes. The principal differences between the classes of units of each of the Fund relate to the management fees payable to Pender. These are described under “*Fees and Expenses*” and “*Dealer Compensation*”. There may also be differences between classes of units relating to the currency in which the units are denominated and/or whether or not the classes are hedged, as described below.

All units of the Fund are entitled to participate in that respective Fund's assets on liquidation on a class basis. All classes of units are issued as fully paid and non-assessable and are redeemable at their net asset value at the time of redemption.

Class A Units

Class A units are available to all investors, subject to certain minimum initial and purchase requirements, which can be found under the “*Purchases*” section.

The management fees relating to a class of units of the Fund are described under the heading “*Fund Details*” of the Fund below.

Class E Units

Class E units are available only to Pender and its affiliates' employees and directors and their family members and not to the general public, subject to certain minimum initial and purchase requirements, which can be found under the "*Purchases*" section.

Pender charges a lower management fee on the Class E units because our distribution and servicing costs are reduced for that class. The management fees relating to a class of units of the Fund are described under the heading "*Fund Details*" of the Fund below.

Class F Units

Class F units are for investors who are participants in a fee-for-service or wrap account program sponsored by certain registered dealers, including OEO Dealers or other Dealers that do not make a suitability determination. Class F units can be purchased under this Simplified Prospectus only through an investment advisor who has obtained the consent of Pender to offer units of these classes.

If Pender is notified that you no longer meet the eligibility criteria, we will sell or reclassify your Class F units in accordance with the instructions from your investment advisor. In the absence of instructions, we may automatically sell or reclassify your Class F units to Class A units. There may be tax implications arising from any sale. See "*Income Tax Considerations*" for more details. It is important to note that there is no unhedged class available to investors who do not participate in a fee-for-service or wrap account program sponsored by certain registered dealers.

Pender charges a lower management fee on the Class F units because our distribution and servicing costs are reduced for those classes. The management fees relating to a class of units of the Fund are described under the heading "*Fund Details*" of the Fund below.

Class O Units

Class O units are available to institutional investors and other qualified investors and are not sold to the general public.

For Class O units, management fees and administration fees are or will be negotiated and charged directly to Class O Unitholders, as applicable.

Meetings of Unitholders

The Fund does not hold regular meetings. Unitholders are entitled to vote on all matters that require Unitholder approval under NI 81-102 or under the Trust Agreement. Some of these matters are:

- The introduction of a fee or expense, or a change in the basis of the calculation of a fee or expense, that is or is to be charged to the Fund or directly to its Unitholders by the Fund or the Manager in connection with the holding of units of the Fund, in a way that could result in an increase in charges to the Fund or to its Unitholders;
- A change of the Manager, unless the new manager is an affiliate of the Manager;
- A change in the fundamental investment objectives of the Fund;
- A decrease in the frequency of the calculation of the Series NAV per unit of the Fund; and
- Certain material reorganizations of the Fund.

Approval of these matters requires an affirmative vote of at least a majority of the Unitholders present at a meeting called to consider these matters.

In certain circumstances, the Fund's reorganization with, or transfer of assets to, another mutual fund may be carried out without the prior approval of the Unitholders of the Fund provided that (a) the Independent Review Committee approves the transaction pursuant to NI 81-107, (b) the Fund is being reorganized with, or its assets are being transferred to, another investment fund to which NI 81-102 and NI 81-107 apply and that is managed by the Manager or by an affiliate of the Manager, (c) the reorganization or transfer complies with certain requirements of applicable securities legislation, as applicable, and (d) Unitholders of the Fund are sent written notice at least 60 days before the effective date of the change.

NAME, FORMATION AND HISTORY OF THE FUND

Name

This Simplified Prospectus contains information concerning the Pender US Small/Mid Cap Equity Fund.

The Fund is managed by PenderFund Capital Management Ltd. The Manager manages other mutual funds, investment funds and venture funds, and may organize new mutual funds, investment funds or venture funds in the future.

Head Office

The head office of the Fund and the Manager is located at 1830 – 1066 West Hastings Street, Vancouver, BC V6E 3X2.

Formation and History of the Fund

The Fund is an open-end investment trust governed under the laws of the province of British Columbia pursuant to the Twenty-second (22nd) Amended and Restated Mutual Fund Trust Agreement dated November 1, 2024 (originally dated April 14, 2009) (the "Trust Agreement") between Pender, in its capacity as manager of the Pender Funds, and Pender, in its capacity as trustee of the Pender Funds.

The Trust Agreement may be examined by Unitholders at the head office of the Manager during regular business hours. You can contact the Manager at **1-866-377-4743** or email **info@penderfund.com** for more details. The Trust Agreement can also be found on the SEDAR+ website at www.sedarplus.ca.

INVESTMENT RISK CLASSIFICATION METHODOLOGY

We assign an investment risk level to the Fund as an additional guide to help you decide whether the Fund is right for you. The investment risk level of the Fund is required to be determined in accordance with a standardized risk classification methodology that is based on the Fund's historical volatility as measured by the 10-year standard deviation of the returns of the Fund, assuming the reinvestment of all income and capital gains distributions in additional units of the Fund. However, you should be aware that other types of risk, both measurable and non-measurable, may exist. It is also important to note that the Fund's historical volatility may not be indicative of its future volatility.

Using this methodology, we assign the Fund an investment risk level in one of the following categories: low, low to medium, medium, medium to high, or high risk. However, we may increase the investment risk level of the Fund determined by reference to the Fund's standard deviation if we believe that doing so is reasonable in the circumstances by taking into account other qualitative factors, including, but not limited to, economic climate, portfolio management styles, sector concentration and types of investments made by the Fund and the liquidity of those investments.

For any funds have less than a 10-year performance history, such as the Fund, the standardized methodology requires the use of the standard deviation of a reference mutual fund or reference index that reasonably approximates or, for a newly established fund, is reasonably expected to approximate, the standard deviation of the Fund. The reference mutual fund or reference index used to determine the risk rating of the Fund is specified under the heading “*Fund Details*” of the Fund below.

The investment risk level assigned to the Fund is based on the standard deviation ranges set out in NI 81-102 and reproduced below:

Standard Deviation Range (%)	Investment Risk Level
0 to less than 6	Low
6 to less than 11	Low to Medium
11 to less than 16	Medium
16 to less than 20	Medium to High
20 or greater	High

The investment risk level of the Fund is reviewed at least annually and anytime we determine that the current investment risk level is no longer reasonable in the circumstances.

A copy of the standardized risk classification methodology that we use to identify the investment risk level of the Fund is available on request and at no cost, by calling **1-866-377-4743**, by emailing **info@penderfund.com**, or by writing to us at the address of our head office in Vancouver, British Columbia, noted on the back cover of this document.

EXPLANATORY INFORMATION

You will find detailed descriptions of the Fund in this part of this Simplified Prospectus. The following is an explanation of what you will find under the heading.

Fund Details

This tells you:

- Fund type: the type of mutual fund
- Investment risk level: the investment risk level assigned to the Fund by the Manager
- Benchmark index (if applicable)
- Registered plan eligibility: whether the Fund is a qualified investment for a registered plan
- Management fee: the fee payable to the Manager and, where applicable, its affiliates, for management of the Fund

What Does the Fund Invest In?

This section outlines the investment objectives and the principal investment strategies that the Portfolio Advisor uses to achieve the Fund's investment objectives.

We cannot change the Fund's fundamental investment objective unless we obtain approval from a majority of Unitholders who vote at a meeting. Investment strategies may be changed, from time to time, without notice to, or consent of, Unitholders.

What are the Risks of Investing in the Fund?

This section identifies the investment risks specific to the Fund, which should be considered by you before making an investment in the Fund.

In addition, for a fund with less than a 10-year performance history, such as the Fund, disclosure is provided regarding the reference index used to reasonably approximate the standard deviation of the Fund to approximate the returns for the purposes of determining the Fund's investment risk level, as described in the *Investment Risk Classification Methodology* section above.

Distribution policy

This tells you how often you will receive a distribution and how it is paid. The Fund makes distributions to Unitholders if and when it has amounts to distribute. Distributions on units from all of the Fund are automatically reinvested in additional units of the Fund, unless you tell us in writing that you prefer to receive cash. There may be adverse tax consequences associated with withdrawing cash from a registered plan.

The Fund has the ability to make distributions as returns of capital.

Pender US Small/Mid Cap Equity Fund

Fund Details

Fund Type	US Small/Mid Cap Equity Fund
Investment Risk Level	Medium
Benchmark	S&P Mid Cap 400 TR CAD
Eligible for Registered Plans?	The units are eligible investments for Registered Plans

Securities Offered	Start Date	Management Fee (exclusive of GST/HST)
Class A units	November 15, 2024	1.85%
Class E units	November 15, 2024	Negotiable – maximum 1.85%
Class F units	November 15, 2024	0.85%
Class O units	November 15, 2024	Negotiable – maximum 1.85%

What Does the Fund Invest In?

Investment Objectives

The investment objective of the Fund is to achieve capital growth over the long-term by investing primarily in U.S. securities.

The fundamental investment objective of the Fund may only be changed with the approval of the Independent Review Committee and a simple majority of the votes cast by the Unitholders of all classes of units of the Fund at a meeting called for that purpose.

Investment Strategies

The Fund will focus on businesses with securities that trade at favourable prices and have the potential to compound value over the long term by reinvesting capital without taking on undue business or balance sheet risk. The Fund will primarily invest in small and mid-cap companies in the U.S.

The Manager will examine each potential investment for success in light of current economic and market conditions, its industry position, its current financial position, the potential to invest incremental capital in view of expected rates of return, its growth potential, earnings estimates and the quality and track record of its management, including in respect of the incentives afforded to such management and the extent to which they align with minority shareholder interests.

The Manager 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

Pender US Small/Mid Cap Equity Fund

into a proprietary ESG scoring methodology, as one of the many factors considered in the security selection process.

Assets of the Fund

Over time, the assets of the Fund are expected to be, or could be, comprised of the following securities:

- **Cash and cash equivalents** The Fund may hold significant cash and cash equivalents when the Manager considers it desirable as a result of market conditions.
- **Closed end funds** The Fund may invest directly or indirectly in closed end funds to the extent allowed under NI 81-102.
- **Derivatives** Subject to the restriction described in the section entitled “Policies and Procedures Related to Derivatives Trading”, the Manager may, in its discretion, invest the Fund’s assets in or use derivative instruments from time to time for hedging and non-hedging purposes. When derivatives are used for hedging purposes, they are used as a means of hedging currency exposure and risk in the securities and businesses in which the Manager has invested to protect against losses. The Fund may hedge against the impact of fluctuations between the Canadian and US currencies on performance, using derivative instruments such as foreign currency forward contracts. Where derivatives are used for non-hedging purposes, they are used either to substitute for direct investment or to generate income. The Manager may make use of clearing corporation options, futures contracts, listed warrants, options on futures, over-the-counter options, forward contracts, debt-like securities and listed warrants for hedging, and non-hedging purposes. Investing in and using derivative instruments are subject to certain risks. Further details on these risks are described below in the section entitled “*What are the risks of investing in the Fund?*”
- **Marketable securities** The Fund may also invest in marketable securities such as common shares, preferred shares, publicly-traded units of investment trusts, including, but not limited to, mutual fund trusts and REITs, stock warrants and rights that are consistent with the Fund’s investment objectives and strategies.
- **Mutual funds** The Fund may carry out all or part of its strategy by purchasing units of Fund managed by the Manager and/or units of other investment funds, including units of ETFs, with target percentages to be determined from time to time by the Manager.
- **Private unlisted investments** The Fund’s investments may also include private unlisted investments but will limit the amount invested in private unlisted investments to a maximum of up to 10% of the net assets of the Fund.
- **Risk arbitrage** The Fund may engage in risk arbitrage investing for up to 10% of the Fund’s net assets. Risk arbitrage investing involves the pursuit of profits from an announced corporate event, such as the sale of a company, a merger, a recapitalization, a reorganization, a liquidation or a self-tender. The financial results from this type of investment approach depend more on corporate action than on overall stock market behaviour.
- **Securities lending** In order to earn additional income, the Fund may engage in securities lending transactions. See the discussion under the heading “*Policies and Procedures Related to Securities Lending*” for more information.
- **Short selling** The Fund has set a value limit on short selling of up to 20% of the Fund’s net assets. In the event that the Fund engages in short selling, it will do so as a complement to the Fund’s current primary discipline of buying securities with the expectation that they will appreciate in market value. For more

Pender US Small/Mid Cap Equity Fund

information on short selling and the limits within which the Fund may engage in short selling, see the section “Policies and Procedures Related to Short Selling Risk Management”.

What are the Risks of Investing in the Fund?

An investment in the Fund is subject to the following key risks:

- Arbitrage risk
- Business risk
- Changes in legislation risk
- Class risk
- Closed end fund risk
- Commodity risk
- Concentration risk
- Counterparty risk
- Currency, foreign exchange and hedging risk
- Cybersecurity and business continuity risk
- Depository securities and receipts risk
- Derivative risk
- Equity risk
- ESG investment strategies or objectives risk
- ETF index risk
- ETF industry sector risk
- Financial system risk
- Foreign market risk
- Fund-on-fund risk
- Income trust and REIT risk
- Lack of operating history risk
- Lack of separate counsel risk
- Large transaction risk
- Liquidity risk
- Market disruption risk
- Net asset value risk
- No assurance of return risk
- Portfolio manager risk
- Portfolio turnover risk
- Potential conflicts of interest risk
- Private company risk
- Public health crises risk
- Rebalancing risk
- Regulatory risk
- Securities lending risk
- Short selling risk
- Small company risk
- Special-purpose acquisition company risk
- Style risk
- Tax loss restriction event risk
- Taxation policy risk
- U.S. regulation and tax risk
- Volatility risk

For a detailed description of these mutual fund risks, see “What are the Specific Risks of Investing in a Mutual Fund?”.

As part of its investment strategy, the Fund may invest in units of Underlying Funds.

Because this Fund has less than a 10-year performance history, a reference index that reasonably approximates the standard deviation of the Fund has been used to approximate the returns for the purposes of determining the investment risk level.

Reference Index	Description
S&P Mid Cap 400 TR CAD	The S&P Mid Cap 400 provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500, is designed to measure the performance of 400 mid-sized companies, reflecting the distinctive risk and return characteristics of this market segment.

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Distribution Policy

The Fund distributes its net investment income and net realized capital gains annually in December, if any, which are automatically reinvested in additional units of the Fund at no charge or, upon request, paid out in cash to the Unitholder.



Pender US Small/Mid Cap Equity Fund

**Managed by:
PenderFund Capital Management Ltd.
1830 – 1066 West Hastings St.
Vancouver, BC V6E 3X2
1-866-377-4743**

Additional information about the Fund is available in the Fund's Fund Facts document, management reports of fund performance and financial statements. These documents are incorporated by reference into this Simplified Prospectus, which means that they legally form part of this document just as if they were printed as a part of this document.

You can get a copy of these documents, at your request and at no cost, by calling us toll free at **1-866-377-4743** or by emailing us at **info@penderfund.com**, or from your Dealer.

These documents and other information about the Fund, such as information circulars and material contracts, are also available on the website of PenderFund Capital Management Ltd. at **www.penderfund.com** or at **www.sedarplus.ca**.