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ANNUAL INFORMATION FORM

for

Pender Growth Fund Inc.

Class C Shares

March 27, 2018

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NAME, FORMATION AND HISTORY OF THE FUND

Introduction

This annual information form contains information about Pender Growth Fund Inc. (the "Fund"). The Fund is managed by PenderFund Capital Management Ltd. ("Pender" or the "Manager").

To make this document easier to read and understand, we have used personal pronouns throughout much of the text. References to "**Pender**", the "**Manager**", "**our**", "**we**" or "**us**" generally refer to Pender in its capacity as manager of the Fund. References to "**you**" are directed to the reader as a potential or actual investor in the Fund. References to "**Shareholder**" refer to holders of any class of shares of the fund. References to "**Dealer**" refer to both the dealer and the registered representative in your jurisdiction who advises you on your investment.

Head Office

The head office of the Fund and the Manager is located at 1640 – 1066 West Hastings Street, Vancouver, BC, V6E 3X1.

Formation and History of the Fund

The Fund was incorporated under the *Company Act* (the "Company Act") which was the predecessor legislation to the *Business Corporations Act* (British Columbia) ("BCBCA") on March 6, 1994 under the name of FutureFund Capital (VCC) Corporation and was registered as a venture capital corporation ("VCC") under the *Small Business Venture Capital Act* (the "SBVCA") on July 8, 1994. The Fund changed its name from FutureFund Capital (VCC) Corporation to Pender Growth Fund (VCC) Inc. on August 15, 2003. On August 10, 2005 the Fund transitioned under the BCBCA and has been governed by the BCBCA since that date. On November 1, 2016, the Fund de-registered from the SBVCA and changed its name to Pender Growth Fund Inc.

On May 10, 2006, the Fund amended its Articles to amend the redemption provisions of the rights and restrictions attached to its shares. On May 1, 2007, the Fund further amended its Articles to provide that a quorum for the transaction of business at a shareholders meeting shall be two persons present in person or by proxy holding at least 1% of the issued shares entitled to be voted at the meeting. On January 28, 2010, the Manager announced that the Board of Directors of the Fund (the "Board") intended to propose a restructuring of the Fund's share capital to its shareholders at the Annual General Meeting of the Fund on May 31, 2010. The proposal provided that the rights of Series 1 and Series 2 Class A Common Shares ("Class A Shares") of the Fund be altered to add rights of conversion under which the Fund would have the right to, and would, convert each outstanding Class A Share, but excluding any such shares subject to unfulfilled redemption requests ("Excluded Shares"), into one Class B Convertible Non-Participating Common Share (a "Class B Share"). In the second stage of the restructuring, each Class B Share held by a shareholder holding its Class B Shares other than through a mutual fund dealer, would be further converted to one Class R Senior Participating Redeemable Convertible Preference Share (a "Class R Share") and one Class C Participating Common Share (a "Class C Share"). Upon completion of such conversions, the Class C Shares would be listed on the TSX Venture Exchange. The Fund also announced that it was closed to further investment.

The proposal was passed by Class A shareholders at the meeting on May 31, 2010. On July 22, 2010, the Fund altered its authorized share structure by altering its Articles to create three new classes of shares, the Class B, Class C and Class R Shares, and to alter the Articles of the Fund to attach special rights and restrictions to these new classes of shares. A notice of conversion was sent to shareholders

on July 26, 2010 and as a result, all existing Class A Shares were either redeemed or converted into Class B, Class C and Class R Shares, as applicable.

Following shareholder approval at a meeting held on July 12, 2016, the Fund amended its Articles to delete the Class A Shares, vary the special rights and restrictions attached to the Class B Shares, Class R Shares Class C Shares and adopt a new form of Articles on November 1, 2016. This alteration occurred concurrently with the Fund's name change to Pender Growth Fund Inc. and its de-registration under the SBVCA. Prior to this de-registration, the Fund had been limited to making investments in "Eligible Small Businesses" which are businesses that are (i) are corporations, (ii) together with their affiliates have no more than 100 employees, (iii) pay at least 75% of their wages and salaries to employees who regularly report to work at operations in British Columbia) and (iv) are substantially engaged in British Columbia in one or more of the businesses specified in the SBVCA or prescribed by regulation. Since its de-registration on November 1, 2016, the Fund is no longer restricted to making investments solely in Eligible Small Businesses.

On December 5, 2016, all outstanding Class B Shares were converted into the equivalent number of Class R Shares and Class C Shares. Immediately following this conversion, all Class R Shares were redeemed. As at the date of this AIF, there were no Class B Shares or Class R Shares issued and outstanding.

The Fund's Class C Shares commenced trading on the TSX Venture Exchange on August 23, 2010 under the ticker symbol "PTF".

INVESTMENT RESTRICTIONS AND PRACTICES

The Fund invests in companies with the objective of long-term capital appreciation. Since the Manager assumed management of the Fund in 2003, the Fund has invested in a diversified portfolio of investments principally in the information technology and telecommunications sectors.

Prior to November 1, 2016, the Fund was restricted to investments in "Eligible Small Businesses" as defined in the SBVCA. The Fund no longer has this investment restriction as it de-registered from the SBVCA on November 1, 2016.

The Fund has invested in a number of private and publicly-listed companies with an emphasis on established businesses requiring capital for growth, expansion or restructuring. In each situation, the Fund's capital has been invested to improve the equity value of the company, through expansion of sales and marketing, investing in new product development or providing capital needed to stabilize operations. This approach has the potential to yield attractive returns over time if these companies are able to execute on their business plans and improve their growth and profitability. This strategy is not without risk, however, as companies face both internal and external challenges to their business plans.

The risk inherent in this aggressive aspect of the Fund's investment strategy has been offset by making more traditional investments in later-stage companies that are already well-positioned for growth and where additional capital is used to further expand operations to increase revenue. This approach to building the Fund's investment portfolio has the potential for significant capital appreciation while reducing portfolio volatility.

The Fund is not a mutual fund for securities law purposes and the rules designed to protect investors who purchase securities of mutual funds, such as rules directed at ensuring liquidity and diversification of investments, and certain other investment restrictions and practices applicable to mutual funds, do not apply to the Fund. A copy of the investment restrictions and practices applicable to and adopted

by the Fund may be obtained from the Manager upon request. See “Income Tax Considerations” for a discussion of the Canadian income tax consequences of investing in the Fund and the eligibility of investments for registered plans in Canada.

Change in Objective and Strategies

The fundamental investment objective of the Fund may only be changed with the approval of the Fund’s Board and a simple majority of the shareholders of all classes of shares of the Fund at a meeting called for that purpose. The Manager may change the Fund’s investment strategies from time to time at its discretion.

DESCRIPTION OF SECURITIES OF THE FUND

The Fund has authorized the following classes of shares:

- Class B Shares
- Class C Shares
- Class R Shares

As at the date of this document, there were no Class B Shares or Class R Shares issued and outstanding.

The information set forth in this section and the discussion of certain of these rights and restrictions that follows are qualified in their entirety by reference to the rights and restrictions of such shares set forth in the Articles of Incorporation of the Fund.

Participation on Liquidation, Dissolution or Winding-up

In the event of the liquidation, dissolution or winding-up of the Fund or other distribution of all or substantially all of the assets of the Fund, the holders of Class C Shares will be entitled to participate in the distribution of the amount, if any, of the net assets of the Fund.

Voting Rights

Holders of Class C Shares have the right to vote at the general meeting of shareholders of the Fund and at any meetings of shareholders of that class. Pender is required to convene a meeting of a Fund to ask Shareholders to consider and approve, by not less than a majority of the votes cast at the meeting, certain material changes proposed for the Fund.

You will receive notice in advance of any other significant proposed changes in a Fund in which you are a shareholder, except for routine administrative or compliance changes that would not have an adverse monetary impact on your investment. Where proposed changes are required to be approved by shareholders under the BCBCA, the Fund will also seek approval of the required type of shareholders resolution from the shareholders. Where the nature of the business to be transacted at a shareholder meeting concerns an issue that is relevant only to the shareholders of a particular class or classes and there is more than one class of shares outstanding, only shareholders of those classes to which such business is relevant will be entitled to vote and such shares will be voted separately as a class. If there is more than one class of shares outstanding, shareholders will also be entitled to vote separately as a class in respect of those matters where a class vote is required under the BCBCA.

Purchases of Securities

The Fund is currently closed to new purchases.

Conversion or Redemption of Securities

Class C Shares do not have any conversion or redemption rights.

CALCULATION OF NET ASSET VALUE PER SHARE

The net asset value (“NAV”) of the Fund is determined at the close of business on the last day of each week that the Toronto Stock Exchange is open for trading or such other time as the Manager determines appropriate (“Valuation Date”). In addition to these Valuation Dates, the NAV per share is also calculated on June 30th and December 31st of each year.

The NAV of the Fund is published on the Manager’s website at **www.penderfund.com** on the last business day of each week. Financial statements and Management Reports of Fund Performance (“MRFP”) of the Fund are prepared as of June 30th and December 31st of each year. These documents can also be found on the Manager’s website or on the SEDAR website **www.sedar.com**.

The NAV per share of each Class C Share of the Fund is calculated as the total NAV of the Fund divided by the total number of Class C Shares outstanding. The NAV per share of each Class C Share will fluctuate with the value of the Fund’s investments.

Calculation of Net Asset Value of the Fund

The Manager shall determine and calculate on each Valuation Date, the total NAV of the Fund, which shall mean the value of all assets of the Fund, less all liabilities as at such time. For these purposes, the assets of the Fund shall be deemed to include:

- (a) all cash or its equivalent on hand, on deposit or on call, including any interest accrued thereon;
- (b) all bills, demand notes and accounts receivable;
- (c) all shares, debt obligations, subscription rights and other securities owned or contracted for by the Fund;
- (d) all stock and cash dividends and cash distributions to be received by the Fund and not yet received by it but declared to security holders of record on a date on or before that time;
- (e) all interest accrued on any fixed interest-bearing securities owned by the Fund which is included in the quoted price; and
- (f) all other property of every kind and nature including prepaid expenses and derivative instruments and assets posted as margin for securities sold short.

The liabilities of the Fund shall be deemed to include:

- (a) all bills, notes and accounts payable;

- (b) all expenses incurred or payable by the Fund, including, but not limited to, management fees, administration fees, performance fees and amounts to be reimbursed to the Manager;
- (c) all contractual obligations for the payment of money or property, including the amount of any unpaid distribution declared upon the Class C Shares and payable to shareholders of record of the Fund prior to the time as of which the Net Asset Value of the Fund is being determined;
- (d) all allowances authorized or approved by the Manager for taxes (if any) or contingencies; and
- (e) all other liabilities of the Fund of whatsoever kind and nature, including securities sold short, except liabilities represented by outstanding Class C Shares of the Fund and the balance of any undistributed income or capital gains.

In determining the Fund's liabilities, the Manager may estimate expenses of a regular or recurring nature in advance, and may accrue the same into one or more valuation periods. Any such accrual will be binding and conclusive on all shareholders, irrespective of whether such accrual subsequently proves to have been incorrect in amount (in which case any adjustments shall be made in the valuation period when such error is recognized).

In determining the NAV, the following valuation principles shall apply:

- (a) the value of any security which is listed on any recognized exchange shall be determined by the closing sale price at the applicable time on the Valuation Date or, if there is no sale price, the average between the closing bid and the closing ask price on the day on which the NAV of the Fund is being determined; and
- (b) the value of any security or other asset for which a market quotation is not readily available shall be its fair value as determined by the Manager provided however that if it is determined that the value of any security for which a market quotation is not readily available would change the NAV of the Fund in excess of five percent (5%), such valuation must be approved by the Board.

The Board will review and approve the NAV of the Fund, as determined by the Manager, at least semi-annually and on any Valuation Date on which the NAV of the Fund, as initially determined by the Manager, has, as a result of changes to the valuation of investments for which no public market exists, changed by more than 5% since the NAV last determined.

The Fund holds a number of investments in private company securities and it would be prejudicial to these companies for the Fund to disclose the individual valuations of these investments. Therefore the Manager has requested, and the British Columbia Securities Commission has agreed to grant, exemptive relief from the requirements of Section 3.5(1) of National Instrument 81-106 (which requires the Fund to present separately in a statement of investment portfolio the value of each venture investment). The Fund has agreed to provide an independent review prepared in accordance with Section 8.2 of National Instrument 81-106 to assess whether or not the fair value of the Fund's investments is, in all material respects, reasonable. Qualified chartered business valuers within the valuations practice of KPMG LLP, the Fund's independent auditor, performed this review as at December 31, 2017 and concluded that the fair value of the Fund's investments is, in all material respects, reasonable.

RISK FACTORS

An investment in the Fund is considered highly speculative in nature, carrying significant risks and should be undertaken only by investors who have sufficient financial resources to enable them to assume such risks and who have no need for immediate liquidity of their investment. Persons who cannot afford the loss of their entire investment should not purchase shares of the Fund, and an investment in the Fund should not constitute a major portion of an individual's portfolio.

There can be no assurance that an investment in the Fund will earn a specified rate of return or any return in the short or long term. Investors should consider the following risk factors before purchasing shares of the Fund:

- The Fund's Class C Shares are not redeemable;
- The NAV of the Fund is based principally on the value of the assets in its investment portfolio and, therefore, the value of the Fund will increase or decrease with the value of such assets. The Fund's valuation process for its investment portfolio is based on inherent uncertainties and the resulting values may differ from values that would have been used had a liquid market existed for the investments;
- The Fund is not a mutual fund. The rules designed to protect investors who purchase securities of mutual funds do not apply to the Fund, and the Fund is not subject to the mutual fund investment restrictions;
- The Fund invests primarily in emerging technology companies. The prospects for success of emerging technology companies depend critically on a number of factors which, given their limited operating histories, are difficult to evaluate. Investments in emerging technology companies are inherently risky, and in the case of failed businesses, may result in the total loss of capital invested in a company by the Fund. The technology companies in which the Fund invests will typically require additional capital, which the Fund may not be able to provide or which may not be available from other sources;
- Investments made by the Fund will generally lack liquidity and involve a longer than usual investment commitment. Losses are typically realized before gains, and the Fund may be required to dispose of investments before any returns are received therefrom; and
- The Fund faces competition from other capital providers and there can be no assurance that suitable investments in companies will be found.

Class C Shares are not redeemable. The NAV of the Class C Shares fluctuates with the NAV of the Fund, which could adversely affect the ability of a holder of the Class C Shares to dispose of them. While the Class C Shares trade on the TSX-V, an active trading market for the Class C Shares may not be available and will significantly impact the liquidity of such shares. Even if an active trading market for the Class C Shares is available, the market price of such shares may not enable shareholders to dispose of their shares at a reasonable price relative to the NAV of the shares.

The Class C Shares are entitled to receive dividends at the discretion of the Board. However, the Fund does not anticipate declaring any dividends on the Class C Shares for the foreseeable future. The Board may consider paying dividends on the Class C Shares in the future when operational

circumstances, including earnings, cash flow, financial and legal requirements and business considerations, permit.

RESPONSIBILITY FOR FUND OPERATIONS

The Manager

PenderFund Capital Management Ltd. is the manager (the “Manager”) of the Fund. The Manager is located at 1640 – 1066 West Hastings St. Vancouver BC V6E 3X1. 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.

For further information about the ownership of the Manager and its affiliates, see "Conflicts of Interest" regarding the principal holders of shares. Under the management agreement between the Manager and the Fund (the “Management Agreement”), the Manager 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, maintaining records, financial reporting, voting of portfolio securities and custodial arrangements.

Officers and Directors of the Manager

The name, municipality of residence, office, and principal occupation within the preceding five years of each of the current directors and executive officers of the Manager are set out below:

Name and Municipality of Residence	Position with Manager	Length of Service	Principal Occupation
J. KELLY EDMISON, LLB Vancouver, BC	Director, Chairman of the Board of Directors	Since April 2003	President and Chief Executive Officer of the Manager from December 2007 to April 2016; President, Chief Executive Officer and Director of Pender Financial Group Corp. from February 2002 to December 2016. Chairman of the Board since June 2009.

Name and Municipality of Residence	Position with Manager	Length of Service	Principal Occupation
DAVID BARR, CFA North Vancouver, BC	President, Chief Executive Officer, Director	Since May 2003	Chief Investment Officer of the Manager from April 2009 to April 2016; Co-Chief Investment Officer of the Manager from April 2016 to April 2017; President and Chief Executive Officer of the Manager since April 2016; Chief Executive Officer of the Fund since November 2006; and Director of the Fund since June 2015.
GINA JONES, CPA, CA, CF, ICD.D Vancouver, BC	Chief Operating Officer, Chief Compliance Officer	Since June 2017	Chief Operating Officer of the Manager since June 2017 and Chief Compliance Officer of the Manager since July 2017.
KELVIN KWONG, CPA, CA, CFA Vancouver, BC	Chief Financial Officer, Corporate Secretary	Since April 2010	Chief Financial Officer of the Fund and Manager since April 2010; Secretary of the Fund and the Manager since June 2012; Chief Compliance Officer of the Manager from January 2014 to July 2017; and Director of the Manager from December 2015 to October 2017.
DONALD CAMPBELL, LLB Winnipeg, MB	Director	Since April 2009	Partner of Law Office of Donald I Campbell, specializing in securities law and regulatory compliance since 2003.
FELIX NARHI, CFA North Vancouver, BC	Chief Investment Officer, Director	Since July 2013	Portfolio Manager of the Manager since August 2013; Co-Chief Investment Officer of the Manager from April 2016 to April 2017. Chief Investment Officer of the Manager since April 2017. Director of the Manager since October 2017.

The following are biographical descriptions of the Directors and Officers of the Manager:

J. Kelly Edmison, Director and Chairman of the Board of Directors

Mr. Edmison has been active in the Vancouver investment community for over 25 years. A graduate of the University of Toronto and Queen's University, Mr. Edmison practiced law for over 20 years. Mr. Edmison spent his early career in Calgary and Hong Kong before joining Ladner Downs (now Borden Ladner Gervais) in 1985 where he practiced securities and commercial law until 1995. Mr. Edmison then established his own practice focused exclusively on representing Vancouver based junior technology companies. Mr. Edmison has since ceased to practice law. Mr. Edmison founded the Manager in 2003 and is currently a shareholder, director and Chairman of the Board of Directors of the Manager. Mr. Edmison has been a director of a number of other public and private technology companies and is currently a director of BSM Technologies Inc. (previously, BSM Wireless).

David Barr, President, Chief Executive Officer and Director

Mr. Barr joined the Manager as an Investment Manager in 2003 and was appointed Chief Financial Officer on November 26, 2005 and Corporate Secretary on November 8, 2006. Mr. Barr served as Chief Financial Officer until April 2009 and was appointed Chief Investment Officer of the Manager in April 2009. Mr. Barr was appointed President and Chief Executive Officer of the Manager in April 2016. He is the portfolio manager of a number of investment funds also managed by the Manager. Mr. Barr is also a director and shareholder of the Manager. Previously, Mr. Barr worked as a consultant to emerging technology companies assisting the companies in development of strategic and financing plans. Mr. Barr holds a Bachelor of Science Degree from the University of British Columbia and a Masters of Business Administration from Schulich School of Business at York University. Mr. Barr is a CFA charterholder and a member of the CFA Institute. Mr. Barr is a registered Investment Counsel/Portfolio Manager with the British Columbia Securities Commission and a past president of CFA Vancouver.

Gina Jones, Chief Operating Officer and Chief Compliance Officer

Gina Jones joined the Manager as Chief Operating Officer in June 2017 and assumed the role of Chief Compliance Officer in July 2017. Previously, Ms. Jones was the Chief Operating Officer and Chief Financial Officer of Salman Partners Inc., an independent brokerage firm in Vancouver, and also Chief Financial Officer of its subsidiary, Salman Partners (USA) Inc. Prior to that, Ms. Jones was CFO at two Vancouver investment dealers, Woodstone Capital Inc. and Golden Capital Securities Inc..

Ms. Jones holds a Bachelor of Commerce degree from UBC, articulated with PricewaterhouseCoopers LLP, and is a CPA, CA and CF, a Chartered Professional Accountant with Corporate Finance specialty designation, and holds an ICD.D designation from the Institute of Corporate Directors.

Kelvin Kwong, Chief Financial Officer and Corporate Secretary

Mr. Kwong joined the Manager as Chief Financial Officer in April 2010. He served as Chief Compliance Officer from the Manager from January 2014 to July 2017. Mr. Kwong was a Director of the Manager from December 2015 to October 2017. He has been Corporate Secretary of both the Fund and the Manager since December 2015.

Previously, Mr. Kwong was the Director of Finance & Product Development at Inhance Investment Management Inc., a division of Vancity Credit Union. Prior to Vancity, Mr. Kwong was a Senior Associate at PricewaterhouseCoopers, where he earned his Chartered Accountant designation. Mr.

Kwong holds a Bachelor of Commerce (Honours) degree from the Sauder School of Business at the University of British Columbia. Mr. Kwong is a CFA charterholder and member of the CFA Institute.

Donald Campbell, Director

Mr. Campbell is a graduate of the University of Manitoba's Faculty of Law and has been practicing law in Winnipeg since 1990. From 2002 to 2003 he was the National Director of Compliance for IQON Financial Inc, a 400 advisor mutual fund dealer based in Winnipeg and was Legal Counsel - Compliance, with Assante Asset Management Ltd. from 2000 to 2002. Mr. Campbell is a founding member of the Compliance Officers' Forum of Manitoba. Mr. Campbell focuses his practice on advising clients in the advisory and mutual fund business.

Felix Narhi, Chief Investment Officer and Director

Mr. Narhi is the portfolio manager of the Pender US All Cap Equity Fund and Pender Strategic Growth and Income Fund, and co-manager of the Pender Value Fund. Mr. Narhi was appointed Co-Chief Investment Officer in April 2016 until April 2017, when he was appointed Chief Investment Officer. Prior to joining Pender in July 2013, Mr. Narhi spent nine years at Odlum Brown Limited, an independent and value-oriented investment firm in Vancouver. As a Director and Senior Equity Analyst, Mr. Narhi contributed thought leadership and primarily US investment equity ideas to the company's Model Portfolio, a concentrated equity portfolio that has outpaced the North American benchmarks since its inception in 1994. Mr. Narhi holds a Bachelor of Commerce degree from the University of British Columbia. He is a CFA charterholder and is a member of the CFA Institute.

Duties of the Manager

Under the Management Agreement between the Fund and the Manager, the Manager 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 shares, maintaining records, fund reporting, voting of portfolio securities and custodial arrangements. The Manager's investment decisions are subject to the oversight of the Fund's Board. The Management Agreement also sets forth the fees payable to the Manager as described in this annual information form.

The Manager's appointment continues to May 31, 2020 at which time the agreement is automatically renewed for additional four year terms unless a vote of the shareholders determines otherwise. The Management Agreement may also be terminated by the Fund 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, resolves to wind-up or liquidate or if a receiver of any of its assets is appointed or if the other party commits a material breach of the Management Agreement which is not remedied within 120 days of receipt of notice of such breach.

Brokerage Arrangements

The Manager of the Fund makes decisions regarding the execution of portfolio transactions with respect to the cash and cash equivalent portions of the Fund, including, when applicable, the selection of markets, brokers and the negotiation of commissions. If and when effecting such portfolio transactions, the Manager places brokerage business with investment dealers and brokers on the basis of the best price and service. To the extent that the execution offered by more than one dealer or broker are comparable, the Manager 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 Manager at transaction prices which reflect those services.

Custodian

The custodian of the Fund's investments is CIBC Mellon Trust Company of 320 Bay Street P.O. Box 1, Toronto, ON, M5H 4A6.

Transfer Agent

The transfer agent of the Fund is AST Trust Company (Canada) (formerly, Canadian Stock Transfer) of 1600 – 1066 West Hastings St., Vancouver, BC V6E 3X1. The transfer agent keeps a record of the owners of Class C Shares in Vancouver, BC.

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 Chartered Professional Accountants of British Columbia. Under applicable securities laws, the auditor of the Fund may be changed with the approval of Shareholders.

CONFLICTS OF INTEREST

Principal Holders of Securities

As at March 27, 2018, there are no persons or companies who are owners of record of or who, to the knowledge of the Manager, beneficially own, directly or indirectly, more than 10% of the shares of any class of the Fund.

The following table sets out the persons or companies who, as at March 27, 2018, are owners of record of or who own beneficially own, directly or indirectly, more than 10% of any class of voting securities of the Manager:

Name	Designation of Securities	Type of Ownership	Percentage of Outstanding Shares
408198 BC Ltd ¹	Common Shares	Beneficial	25%
Arbutus Family Holdings Ltd ²	Common Shares	Beneficial	25%
Garibaldi Ventures Partners Ltd ³	Common Shares	Beneficial	25%

Footnotes:

1. 408198 BC Ltd is 100% owned by William Rand.
2. Arbutus Family Holdings Ltd is 100% owned by J. Kelly Edmison.
3. Garibaldi Ventures Partners Ltd is 100% owned by David Barr.

As of March 27, 2018, the directors and officers of the Fund and Manager hold, directly or indirectly, in aggregate: (a) 16% of all outstanding Class C Shares; (b) 67% of the outstanding shares of the Manager; and (c) less than 1% of the equity securities of any person or company that provides services to the Fund or the Manager. No person or company that provides services to the Fund or the Manager in relation to the Fund is an affiliated entity of the Manager.

FUND GOVERNANCE

The following table sets forth the name, municipality of residence, office and principal occupation and Class C shareholdings of each of the directors of the Fund.

Name, Place of Residence ⁽¹⁾ and Positions Held with the Fund	Principal Occupation or Employment During the Past Five Years ⁽¹⁾	Date Served as a Director	Number of Voting Shares Beneficially Owned or Controlled as at March 27, 2018
DAVID BARR ⁽¹⁾ North Vancouver, BC Director	Chief Investment Officer of the Manager from April 2009 to April 2016; Co-Chief Investment Officer of the Manager from April 2016 to April 2017; President and Chief Executive Officer of the Manager since April 2016; Director of the Manager since December 2007; Chief Executive Officer of the Fund since November 2006.	Since June 2015	243,469 Class C Shares
J. KELLY EDMISON ⁽¹⁾⁽²⁾ Vancouver, BC Chairman	President, Chief Executive Officer and Director of Pender Financial Group Corporation from February 2002 to December 2016; President and Chief Executive Officer of the Manager from December 2007 to April 2016; Director and Chairman of the Board of Directors of the Manager since June 2009.	Since May 2003	298,092 Class C Shares
IAN D. POWER ⁽²⁾ Langley, BC Director	Independent consultant in corporate finance and accounting since 1993.	Since March 1994	10,000 Class C Shares
WENDY PORTER ⁽²⁾ West Vancouver, BC Director	Consultant with Focused Management Solutions Inc. from 2004 to present.	Since May 2006	40,000 Class C Shares

Notes:

(1) Mr. Barr and Mr. Edmison are also directors and officers of the Manager.

(2) Member of the Audit Committee of the Fund.

Audit Committee

Pursuant to the provisions of section 224 of the BCBCA, the Fund is required to have an audit committee, which, at the present time, is comprised of Ian D. Power, J. Kelly Edmison and Wendy Porter, all of whom are financially literate. The audit committee has a written charter which sets out its duties and responsibilities.

The Audit Committee Charter provides that the Audit Committee shall be comprised of three directors as determined by the Board, the majority of whom shall be free from any relationship that, in the opinion of the Board, would reasonably interfere with the exercise of his or her independent judgment as a member of the Audit Committee. At least one member of the Audit Committee shall have accounting or related financial management expertise. All members of the Audit Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Fund's financial statements. The members of the Audit Committee are appointed annually by the Board at its first meeting following the annual shareholders' meeting.

The following are biographical descriptions of the members of the Audit Committee:

Ian Power, Chair

Mr. Power graduated from the University of British Columbia in 1977 and qualified for his Chartered Accountant designation in 1979. Mr. Power spent several years in public accounting before joining Norsat International Inc. where he rose to the position of Chief Financial Officer before departing in 1993 to become an independent consultant in corporate finance and accounting. Mr. Power was Chief Financial Officer of Strand Capital Corporation, a real estate development finance company focused on the Western United States, from 2002 to 2007.

Wendy Porter

Ms. Porter holds an MBA degree from the Schulich Business School at York University. Ms. Porter currently provides consulting and contract services in the areas of strategy, compensation, electronic payments and financial services for national and international clients. Ms. Porter held several senior positions with the Bank of Montreal from 1986 to 2000 and with Moneris Solutions (a joint venture of the Merchant Services Divisions of the Royal Bank of Canada and the Bank of Montreal) during 2000 and 2001. From 2002 to 2004, Ms. Porter was the President of Vital Merchant Services of Sacramento, California. Ms. Porter assists various technology companies with strategic matters and currently serves on the board of directors of the Vancouver Sun Children's Fund.

J. Kelly Edmison

Mr. Edmison has been active in the Vancouver investment community for over 25 years. A graduate of the University of Toronto and Queen's University, Mr. Edmison practiced law for over 20 years. Mr. Edmison spent his early career in Calgary and Hong Kong before joining Ladner Downs (now Borden Ladner Gervais) in 1985 where he practiced securities and commercial law until 1995. Mr. Edmison then established his own practice focused exclusively on representing Vancouver based junior technology companies. Mr. Edmison has since ceased to practice law. Mr. Edmison founded the Manager in 2003 and is currently a shareholder, director and Chairman of the Board of Directors of

the Manager. Mr. Edmison has been a director of a number of other public and private technology companies and is currently a director of BSM Technologies Inc. (previously, BSM Wireless).

Codes of Ethics

The Manager and the Board have responsibility for governance of the Fund. The Manager has adopted the personal trading code for mutual fund managers prescribed by the Investment Fund Institute of Canada, which governs internal conflicts of interest and business practices. 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.

Risk Management

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

Proxy Voting Disclosure

The Manager has established Proxy Voting Policies and Guidelines (the "Guidelines") that have been designed to provide general guidance, in compliance with the applicable legislation, for the voting of proxies. 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 Manager may not be able to vote, or where the costs of voting outweigh the benefits.

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 1640 – 1066 West Hastings St. Vancouver BC V6E 3X1.

Proxy Voting Record

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

Conflicts of Interest

Conflicts of interest may arise as a result of the directors and officers of the Fund holding positions as directors or officers of other companies. Conflicts, if any, will be subject to the procedures and remedies under the BCBCA.

The Manager currently provides management services to other investment funds and the services of the Manager are not exclusive to the Fund. The Manager may provide similar services to other parties, including venture capital funds, mutual funds or investment funds engaged in a similar business to that of the Fund. The Fund is of the view that the other activities of the Manager will not be considered to be a conflict of interest or breach of fiduciary duty with respect to the management of the Fund provided

that the Manager fulfills its duties of care and does not contravene the investment objectives or restrictions set out in the Management Agreement.

FEES AND EXPENSES

Management Fee

The Manager administers the Fund and manages the Fund's portfolio of assets, including provision of investment analysis and recommendations, making investment and divestiture decisions and making brokerage arrangements.

The Fund pays a fee equal to:

- (a) 1/12 of 2.50% (or 2.50% per annum) of the Net Asset Value of the Fund, calculated on the last Valuation Day in that month up to a maximum Net Asset Value of the Fund of \$50,000,000; and
- (b) 1/12 of 2.00% (or 2.00% per annum) of the Net Asset Value of the Fund on the last Valuation Day in that month on the amount by which the Net Asset Value of the Fund exceeds \$50,000,000.

Performance Fee

The Manager is entitled to a performance bonus in certain circumstances, based on achieving certain performance criteria set out in the Management Agreement (the "Performance Fee"). Performance Fees will be calculated on the last valuation date of each year (the "Determination Date") and will be payable each year upon the publication of the Fund's audited annual financial statements.

The Performance Fee in any given year is equal to 20% of the net increase, if any, in the Net Asset Value in excess of the High Water Mark (as defined below) before taking into account the accrual of any Performance Fee and after deduction of an annual return threshold of 6% (the "Hurdle Rate"). The Hurdle Rate shall accumulate in any years in which the Performance Fee is not payable.

The "High Water Mark" means the Net Asset Value of the Shares on the most recent Determination Date on which it was determined a Performance Fee was payable. The initial High Water Mark was the Net Asset Value of the Shares as at December 31, 2016. Subject to the accumulation of the Hurdle Rate in years in which the Performance Fee is not payable, the High Water Mark will not otherwise be reset but will be adjusted in the event of a subdivision or consolidation of the Shares. No performance fee was paid to the Manager in respect of the year ended December 31, 2017.

Operating Expenses

In addition to management and performance fees, the Fund is responsible for the operating costs which may include: sales and marketing costs, legal fees, custody fees, audit fees, transfer agency fees and directors' fees among other costs. Certain of these costs may be incurred by the Manager and reimbursed by the Fund.

Remuneration of Directors and Officers

Under the terms of the Management Agreement any directors, officers or employees of the Manager who are also officers of the Fund are paid by the Manager for serving in such capacity and do not receive any remuneration directly from the Fund.

Full details on the remuneration of the Fund's directors and officers is contained in its management information circular filed each year. Such disclosure has been prepared in accordance with Form 52-102F6 - Statement of Executive Compensation.

INCOME TAX CONSIDERATIONS

In the opinion of Legacy Tax + Trust Lawyers, who are acting as special tax counsel to the Fund for purposes of this Annual Information Form, the following is, as of the date hereof, a fair and adequate summary of the principal federal and British Columbia income tax consequences generally applicable to the Fund and its Shareholders. This summary assumes that the Shareholders are residents of Canada and not of any other country, hold Shares as capital property and deal at arm's length and are not affiliated with the Fund, all within the meaning of the *Income Tax Act* (Canada) (the "Federal Tax Act") and the *Income Tax Act* (British Columbia) (the "BC Tax Act"). This summary further assumes that the Fund is not considered an investment corporation or mutual fund corporation within the meaning of the Federal Tax Act. Whether shares are held by any particular Shareholder as capital property or as inventory will be determined according to the principles ordinarily applicable to the characterization of shares of a corporation. Shares held by a Shareholder will generally be considered capital property to the Shareholder unless the Shareholder holds them in the course of carrying on a business or the Shareholder has acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary assumes that the Class C Shares of the Fund are and will continue to be listed on the TSX-V and that the TSX-V will continue to be a designated stock exchange in Canada for purposes of the Federal Tax Act. The Fund has now deregistered as a VCC under the SBVCA.

This summary is based upon the current provisions of the Federal Tax Act, the BC Tax Act, all published proposals for amendments to the Federal Tax Act and the BC Tax Act (the "Proposed Amendments"), and upon counsel's understanding of the current published administrative practices of the Canada Revenue Agency (the "CRA") and the British Columbia Ministry of Finance. This summary assumes that the Proposed Amendments will be enacted as proposed but does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it address the application of any income tax laws of any province other than British Columbia or any territory or foreign jurisdiction. No assurances can be given that the Proposed Amendments will be enacted as proposed, if at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder. Each Shareholder is advised to obtain independent advice regarding the federal and British Columbia income tax consequences of investing in shares of the Fund having regard to the Shareholder's particular circumstances.

Paid-Up Capital

Paid-up capital generally refers to the amount that has been paid to the Fund for the issue of its shares, less certain amounts in respect of the redemption of those shares. Paid-up capital is calculated separately for each class or series of shares, and is averaged across all the shares of a class or series.

Qualified Investment

While the Class C Shares continue to be listed on the TSX-V, the Fund's shares will be qualified investments for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs") and tax-free savings accounts ("TFSA").

If the Fund's shares are a "prohibited investment" (as defined in the Federal Tax Act) for a trust governed by a TFSA, RRSP or RRIF (a "Registered Plan"), the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, (such holder or annuitant being a "Controlling Individual" of the Registered Plan) will be subject to a penalty tax on the Fund's shares held in the Registered Plan, as set out in the Federal Tax Act. A share in the capital of the Fund will generally not be a prohibited investment for a trust governed by a Registered Plan held by a particular holder provided that the Controlling Individual deals at arm's length with the Fund for the purposes of the Federal Tax Act, and does not have a "significant interest" (as defined in the Federal Tax Act) in the Fund for purposes of the Federal Tax Act. In general terms, a Controlling Individual of a Registered Plan will have a significant interest in the Fund if the Registered Plan, the Controlling Individual, and other persons not at arm's length with the Controlling Individual together, directly or indirectly, own not less than 10% of the outstanding shares of any class of the Fund.

The detailed rules relating to the eligibility for investments are set out in the Federal Tax Act. In the event that the Fund ceases to be a public corporation for purposes of the Federal Tax Act, Shareholders should consult their own tax advisors to confirm whether their shares are qualified investments for their RRSPs, RRIFs or TFSA, based upon their particular circumstances.

Consequences of the Disposition of Class C Shares

A Shareholder who disposes of or is deemed to dispose of a Class C Share will realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition in respect of such share exceed (or are less than) the Shareholder's adjusted cost base of such Class C Share, as the case may be, and all reasonable costs of disposition.

Any capital loss that would otherwise arise on the disposition of a Class C Share will be reduced by the amount of any tax credits received by the Shareholder or by a person with whom the Shareholder does not deal at arm's length under the SBVCA in respect of any share for which a Class C Share was substituted, to the extent that the amount of such tax credits have not previously reduced a capital loss in respect of such shares.

One-half of any capital gain is a taxable capital gain that must be included in computing income for income tax purposes. One-half of any capital loss is an allowable capital loss that may be deducted in computing income, but only against taxable capital gains. Allowable capital losses not deductible in the current year may be deducted against taxable capital gains in computing income for the three preceding or any future taxation years.

A Shareholder that is a "Canadian-controlled private corporation" (as defined in the Federal Tax Act) may be liable to pay an additional "refundable" tax of 10 2/3% on taxable capital gains.

A disposition of Class C Shares will include a sale of, or contribution-in-kind of shares to, a Registered Plan. Transactions between a Controlling Individual and his/her Registered Plan must occur at fair market value. Capital losses sustained on the transfer or contribution of Class C Shares to a Registered Plan are not allowable capital losses and cannot be used to offset capital gains.

Where the Shareholder is an RRSP or RRIF, gains realized on the disposition of Class C Shares within the RRSP or RRIF are not subject to tax currently. However, the full amount of net proceeds realized by an RRSP or RRIF will be included in the Annuitant's income upon withdrawal from the RRSP or RRIF.

Dividends Received

A dividend received by a Shareholder in respect of a Class C Share will be treated for income tax purposes as a dividend from a taxable Canadian corporation. A Shareholder who is an individual resident in Canada will be required to include the dividend and a notional gross-up amount in computing his income for the year in which the dividend is received. The applicable gross-up figure for a dividend paid in 2018 is 16%, or 38% if the dividend is designated by the Fund to be an eligible dividend. A Shareholder who includes the gross-up in computing his income will be entitled to claim a federal dividend tax credit equal to 8/11ths of the gross-up, or 6/11ths of the gross-up if the dividend is designated as an eligible dividend. Where the dividend is received or deemed to be received by a corporation resident in Canada, the dividend will normally be free of tax under Part I of the Federal Tax Act but may be subject to refundable tax under Part IV of the Federal Tax Act.

MATERIAL CONTRACTS

Set out below are particulars of the material contracts entered into by the Fund as of the date of this annual information form.

1. The Custodial Services Agreement dated April 14, 2009 (and amended October 29, 2010) pursuant to which CIBC Mellon Trust Company was appointed custodian of the assets of the Fund. See "*Responsibility over Fund Operations*" for a description of the custodian's duties and responsibilities.
2. The Transfer Agency Services Agreement dated July 13, 2010 (and amended September 3, 2013) pursuant to which AST Trust Company (Canada) (previously, Canadian Stock Transfer & Trust Company) was appointed transfer agent of the shareholders of the Fund. See "*Responsibility over Fund Operations*" for a description of the transfer agent's duties and responsibilities.
3. The Management Agreement dated May 1, 2003 (and most recently amended and restated May 1, 2017) between the Manager and the Fund, pursuant to which the Manager agreed to direct the affairs and managing the business of the Fund. See "*Responsibility over Fund Operations*" for a description of the Manager's duties and responsibilities.

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



Pender Growth Fund Inc.

Managed by:

PenderFund Capital Management Ltd.
1640 – 1066 West Hastings St.
Vancouver BC V6E 3X1
1-866-377-4743

ADDITIONAL INFORMATION

Additional information about the Fund is available in the Fund's management reports of fund performance and financial statements. You can get a copy of these documents, at your request, and at no cost, by calling toll-free at **1-866-377-4743**, by emailing us at **info@penderfund.com**, or from your financial adviser. These documents and other information about the Fund, such as information circulars and material contracts, are also available on the Manager's website at **www.penderfund.com** or at **www.sedar.com**.