MANAGEMENT’S DISCUSSION & ANALYSIS

PENDER GROWTH FUND INC.

Three months and nine months ended September 30, 2022

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated November 23, 2022 presents a review of the unaudited financial results for Pender Growth Fund Inc. ("Pender" or the "Company") for the three months and nine months ended September 30, 2022 and assesses factors that may affect future results. The financial condition and results of operations are analyzed and significant factors that affected Pender's statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows are discussed.

The MD&A is supplementary information and should be read in conjunction with Pender's unaudited condensed interim financial statements and the notes thereto for the three months and nine months ended September 30, 2022 (the "Condensed Interim Financial Statements") and Pender's audited financial statements and the notes thereto for the year ended December 31, 2021 (the "Annual Audited Financial Statements"). All amounts shown in this MD&A are presented in Canadian dollars unless otherwise specified.

The MD&A has been prepared by PenderFund Capital Management Ltd. (the "Manager") and is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, which is made up of three directors, a majority of whom are independent directors. The Audit Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

Additional information about Pender is available on the SEDAR website at www.sedar.com

Caution Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements about the Company, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies or prospects and possible future Company action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Company and economic factors, among other things. Forward-looking statements in this MD&A include, without limitation: statements with respect to the future performance of the Company and the companies in which it invests (each a "Portfolio Company"); the future impact on markets and economies of measures taken by central banks to control inflation, and the future impact of geopolitical events, global health pandemics and other crises; concentration of the investment portfolio, future economic and market conditions, including mergers and acquisitions ("M&A") and initial public offering ("IPO") market conditions, future realization of value of and/or transactions involving its existing Portfolio Companies (including public listing or third-party acquisitions of such Portfolio Companies) or potential future Portfolio Companies or other future transactions, and/or proposed transactions; the Company's investment approach, objectives and strategies, including its focus on specific sectors; the structuring of its investments and its expectations regarding the performance of certain sectors.

Forward-looking statements are not guarantees of future performance and actual events and results could differ materially from those expressed or implied in any forward-looking statements. While the Manager considers its expectations, assumptions and projections to be reasonable based on information currently available to it, no assurance can be given that its beliefs and assumptions will prove to be correct. Any number of important factors could contribute to these differences, including but not limited to: the ability of the Company to source additional investments; risks related to the technology sector and the high proportion of companies from this sector in the portfolio; the ability to dispose of investments in Portfolio Companies rapidly or at favourable prices; the risk of the use of leverage; the risks inherent in a concentrated portfolio, the availability of an active trading market for the Company's Class C shares; general economic, political and public market factors in North America and internationally; interest and foreign exchange rates; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings; and the impact of inflation, increased interest rates, measures taken by central banks, geopolitical events, global pandemics and other catastrophic events.

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

Business Strategy

Pender is an investment entity that trades on the TSX Venture Exchange (the "TSXV"). Its objective is to provide its investors with long-term capital appreciation. Pender invests opportunistically in a concentrated portfolio of securities of both public and private companies (each a "Portfolio Company"). In its quest for long-term capital appreciation, the Manager thoroughly evaluates the long-term business prospects of each potential Portfolio Company and works to understand its current value as well as its value over the long-term investment horizon. This long-term focus is a primary factor in Pender's investment strategy, regardless of whether a Portfolio Company is publicly listed or private. Pender may also invest in special situations, for example, using available cash to take advantage of opportunities with attractive internal rates of return. Pender's strategy is to buy securities that it believes are mispriced and that have the potential to compound capital, either through the convergence from current market price to intrinsic value or through the growth of intrinsic value over time, or through a combination of both.

Pender's mandate provides it with the flexibility to invest in securities that it believes to have the highest potential risk-adjusted returns at the time of investment. It is important to note that Pender defines risk as a permanent loss of capital, which differs from volatility risk. This flexible mandate allows Pender to take advantage of market cycles and different security types that it believes may have the potential to benefit its shareholders. Market cycles can provide opportunity as, from time-to-time, different industries, company stages or security types may become out of favour and attractively priced. Pender may invest in both newly established and later-stage businesses across a wide array of industries and security types, depending on the opportunity. The majority of Pender's investments will be in common equity or preferred equity securities, but it may make smaller allocations to convertible debt, corporate debt or other securities.

Non-IFRS Measures

The Company prepares and releases Condensed Interim Financial Statements and Annual Audited Financial Statements in accordance with IFRS. In this MD&A, we complement those IFRS disclosures with a number of the key indicators that we use to evaluate the performance and condition of our business. These supplementary key performance indicators include Net Assets, Net Assets per Share, Management Expense Ratio and Trading Expense Ratio. These are not recognized under IFRS nor do they have a standard meaning prescribed by IFRS. We present them to enhance the reader's ability to evaluate the Company. They may not be directly comparable to similar measures used by other companies and readers are cautioned not to view the non-IFRS measures as alternatives to IFRS measures.

Net Assets

The Company uses two financial measures that are individually recognized under IFRS, assets and liabilities, to calculate Net Assets, which is a non-IFRS measure. The calculation of Net Assets as at September 30, 2022 and December 31, 2021 is presented in the following table:

Net Assets	September 30, 2022	December 31, 2021
Assets	$ 86,449,767	$ 226,510,729
LESS: Liabilities	7,144,272	27,867,074
EQUALS Net Assets	$ 79,305,495	$ 198,643,655

Net Assets per Share

The Company uses three financial measures that are individually recognized under IFRS, assets, liabilities and number of shares outstanding, to calculate Net Assets per Share, which is a non-IFRS measure. The calculation of Net Assets per Share, as at September 30, 2022 and December 31, 2021 is presented in the following table:

Net Assets per Share	September 30, 2022	December 31, 2021
Assets	$ 86,449,767	$ 226,510,729
LESS: Liabilities	7,144,272	27,867,074
EQUALS Net Assets	$ 79,305,495	$ 198,643,655
DIVIDED BY Number of Shares Outstanding	7,582,329	7,616,529
EQUALS Net Assets per Share	$ 10.46	$ 26.08

Management Expense Ratio

The Company uses Management Expense Ratio ("MER"), a non-IFRS measure, to represent the total amount of operating expenses, including management fees, sales taxes and interest but excluding performance fees net of fees waived/expenses absorbed by the Manager, contingent payments, corporate taxes, commission and other portfolio transaction costs, (together, the "MER Costs") that is borne by the Class C shareholders. The MER is an annualized percentage calculated by dividing total MER Costs by the average Net Assets.

Trading Expense Ratio

The Company uses Trading Expense Ratio ("TER") a non-IFRS measure, to represent the total amount of commissions and other portfolio transaction costs (the "TER Costs") borne by the Class C shareholders. The TER is an annualized percentage calculated by dividing total TER Costs by the average Net Assets.

It should be noted that the Company also used two additional non-IFRS measures, Reporting NAV and Reporting NAV per Share for a period of time, and total shareholders' equity that was calculated under IFRS for financial reporting purposes differed from the monthly reported net asset value per share where Reporting NAV was presented, as described in the "Recent Developments" section on page 6 of this MD&A.

Risk Factors

An investment in Pender is suitable for investors that have a high tolerance for risk and a long-term investment horizon.

Global Events

Certain significant global events have increased financial risk: the move by central banks to taper monetary and fiscal stimulus and raise interest rates to control inflation, the conflict between Russia and Ukraine and the effects of the COVID-19 global health pandemic. These events have had an impact on many entities and the markets for the securities that they issue and that impact may continue.

Investment results may be affected by future developments and new information that may emerge as a result of inflation and the impact of central bank measures, geopolitical events, the pandemic and other global events; factors that are beyond the Company's control.

Investments

The Company's portfolio is materially concentrated in the shares of one publicly listed Portfolio Company, Copperleaf Technologies Inc. ("Copperleaf"). At September 30, 2022, considering both its direct investment and its indirect investment through its holding of shares of PPI, the Company held 6,762,065 shares of Copperleaf with a value of $42,465,767, which is 53.5% of the Company's total shareholders' equity of $79,305,495 (December 31, 2021 – 7,455,638 Shares with a value of $177,816,957 which was 90% of the Company's total shareholders' equity of $198,643,655).

As at September 30, 2022, the closing price of Copperleaf was $6.28 per share, down $17.57 per share from its December 31, 2021 closing price of $23.85 per share). This decrease in price materially reduced the Company's unrealized gain on the holding as compared to December 31, 2021. The Company's shareholders' equity decreased by $15.62 per share during the period, from $26.08 per share at December 31, 2021 to $10.46 per share at the quarter-end. During the nine months ended September 30, 2022, the Company sold a total of 745,532 shares from its direct and indirect holdings of Copperleaf. In November 2022, shares of Copperleaf were trading below $3.50 per share, significantly below their September 30, 2022 closing price of $6.28 per share. There can be no assurance that the Company will be able to realize the value of this investment.

Historically, Pender's investment focus was on early-stage technology companies. The prospects for success of emerging technology companies are critically dependent on numerous factors that may be difficult to evaluate, especially when they have limited operating histories. Investments in emerging technology companies are inherently risky, and in the case of failed businesses, may result in the total loss of the capital invested by Pender in a Portfolio Company. The technology companies in which Pender invests will typically require additional capital, which Pender may not be able to provide, or which may not be available from other sources.

At September 30, 2022, approximately 18.9% of Pender's portfolio was comprised of investments in public companies. However, taken together with Pender's indirect exposure to public companies through its investment in Pender Private Investments Inc. ("PPI") and Pender Private Debt Opportunities Fund I Limited partnership ("PPDF"), public companies make up 86.2% of Pender's holdings. Public company securities prices are influenced by particular companies' 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 may rise. The opposite may also be true. Usually, the greater the potential reward, the greater the risk.

Where the size of the Company's holding of a particular security is large relative to the market, an orderly realization of value may be relatively difficult for the Company to achieve. Consequently, the sale of such investments may be subject to delay and may only be possible at substantial discounts.

For smaller companies, start-ups, resource companies and companies in emerging sectors, both the risks and potential rewards of investment may be greater than those of larger, more established companies. Likewise, the share prices of such companies may be more volatile than those of larger, more established companies. Further, the products and services offered by technology companies, for example, may become obsolete as science and technology advance. Certain convertible securities may also be subject to interest rate risk.

Private companies, by their nature, will generally lack liquidity and involve a longer-than-usual investment time horizon. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts. At September 30, 2022, private companies comprised 81.1% of Pender's investment portfolio. This includes Pender's investment in PPI, Pender Private Debt Opportunities Fund I Limited Partnership ("PPDF"), and in the pre-funding rounds for Pender Technology Inflection Fund II Limited Partnership ("PTIF II"), private entities that hold public and/or private company securities. Looking through to the underlying holdings of PPI, PPDF, and PTIF II, Pender's exposure to private companies is 13.8% of its holdings. It may be relatively difficult for Pender to dispose of its investment in any private company rapidly at favourable prices due to weak M&A markets, adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts. Losses are typically realized before gains, and Pender may be required to dispose of Portfolio Companies before any returns are realized.

Pender faces competition from many other capital providers and there can be no assurance that suitable investments will be found. Despite the number of sources of private capital, financing for early-stage technology companies remains limited and is subject to pricing and terms that are based on the performance of the investee company, among other factors, and what is available may be on terms unfavourable to existing shareholders of these companies.

The Company entered into a three-year credit facility agreement dated May 28, 2021, as amended March 31, 2022, with a Canadian chartered bank that allows it to draw up to $10 million in one or two tranches, secured against the Company's interest in the private investments held by its investee, PPI (the "Term Loan"). At September 30, 2022, the balance owing under the Term Loan is $5,000,000.

The use of leverage can magnify gains on investments, but it can also magnify losses. Interest expense and other costs may not be recovered if gains on investments are insufficient. The use of leverage may require the Company to liquidate portfolio positions when it may not be advantageous to do so in order to meet covenants or satisfy debt obligations.

Other risks include the high proportion of technology company investments in the portfolio, industry concentration and the relatively small number of investments in the portfolio.

There can be no assurance that the Company will be able to complete divestments of individual Portfolio Companies and/or complete an orderly realization of value (at current values or otherwise).

WOF Transaction

Effective May 28, 2021, the Company completed a transaction (the "WOF Transaction") pursuant to which it acquired 100% of the Commercialization Series shares and 97% of the Venture Series shares of the Working Opportunities Fund (EVCC) Ltd. ("WOF"), and WOF was renamed Pender Private Investments Inc. Please also refer to the "Recent Developments" section of this MD&A. As at September 30, 2022, Pender's investment in Pender Private Investments Inc., which holds an investment portfolio comprised public companies and private companies, represented 65.1% of Pender's aggregate investment portfolio. Investments in private companies are inherently subject to the risks and uncertainties described above.

Class C Shares

The Company's Class C Shares are not redeemable. The Class C Shares trade on the TSXV under the ticker "PTF". An active trading market for the Class C Shares may not be available, which may significantly impact the liquidity of those shares. The Net Assets per Share of the Class C Shares fluctuates with the Net Assets per Share of the Company. Even if an active trading market for 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 Net Assets per Share of the shares.

The risks associated with an investment in Pender are more fully described in its Annual Information Form dated May 25, 2022 under the heading "Risk Factors". Reference should also be made to the "Caution Regarding Forward-Looking Statements" section at the beginning of this document.

Recent Developments

Investments

The third quarter of 2022 was volatile for public equity markets. The quarter began with a rally in risk assets, only to give way to pessimism brought on by continued interest rate hikes from central banks to fight persistently high inflation. The rapid pace of interest rate increases caused concerns regarding the outlook for economic growth and the rising potential of a recession, creating volatility in equities as these developments were digested and added uncertainty. In the US, the S&P 500 index (in Canadian dollars) finished the quarter near the lows of the year and was down 16.9% year-to-date as at September 30, 2022. The weakness was also seen in Technology companies, with the S&P/TSX Capped Information Technology Index finishing the quarter down 42.1% year to date in 2022.

Canadian venture capital ("VC") investment activity[1] during the second quarter of 2022 saw $1.654B invested across 182 deals, as activity normalized from that of 2021. In terms of deal count, second quarter activity slowed for the fourth consecutive quarter-over-quarter decline. US data showed a similar trend with a decline in private market activity levels as companies adjusted to the evolving macroeconomic environment and public market slowdown. Exit activity in the first half of 2022 saw a significant decline in M&A activity and no IPOs. VC activity can expect a continuation of deteriorating market conditions, particularly at the later and growth stages, as tougher market conditions make it more difficult for companies to grow and seek exit opportunities.

[1] Canadian Venture Capital & Private Equity Association: Q2 2022 Canadian Venture Capital Market Overview

During the third quarter of 2022, we continued to work closely with certain Private Portfolio Companies with the aim of helping them develop and maintain their intrinsic value, while they seek an orderly realization of that value. Where necessary, we also supported them in optimizing their business in connection with the changing market environment as well as the challenges and opportunities brought on by global events.global events.

NCIB

On the February, 2022 expiration of the Company's Normal Course Issuer Bid ("NCIB"), the Company launched a new NCIB on the TSXV, under which the Company may purchase up to a maximum of 678,839 Shares, representing 10% of its public float at launch date, over the one-year period of the new NCIB. The NCIB will continue to be in effect until February 13, 2023, unless terminated earlier in accordance with its terms.

During the nine months ended September 30, 2022, the Company continued to acquire its own Class C Shares in the market under its Normal Course Issuer Bid (the "NCIB"), buying 34,200 shares.

WOF Transaction

Effective May 28, 2021, the Company completed the WOF Transaction pursuant to which it acquired 100% of the Commercialization Series shares and 97% of the Venture Series shares of WOF. This transaction represented a unique opportunity for Pender to acquire an investment entity holding a portfolio of good companies in the private technology space, our sector of expertise. Pender had invested in Portfolio Companies alongside WOF from time-to-time over the years and in fact, the WOF portfolio included an investment in BuildDirect.com Technologies Inc., Copperleaf and D-Wave Systems Inc., three of our existing Portfolio Companies.

Because of the actual and perceived conflict inherent in the fact that Pender and WOF were both managed by the Manager, the special committee of the WOF board of directors required the approval of the WOF Transaction by WOF's Independent Review Committee and also engaged an independent financial advisor who provided a fairness opinion that the WOF Transaction is fair from a financial point of view to WOF's shareholders. Further, just prior to closing, WOF distributed its excess cash to its shareholders as a dividend.

In conjunction with the closing of the WOF Transaction, WOF deregistered as an "employee venture capital corporation", changed its name to Pender Private Investments Inc., made an election to be a public corporation under the Income Tax Act and transitioned from the Canadian securities regulatory regime for investment funds to the Canadian securities regulatory regime for reporting issuers who are not investment funds.

Prior to the closing of the WOF Transaction, PPI had two types of Class A shares: Venture Series (also referred to as Balanced Shares) and Commercialization Series. The Company acquired all of the Commercialization Series shares in exchange for a cash payment in the amount of $508,096, which comprised 75% of the BuildDirect.com Technologies Inc. subscription receipt financing price.

Holders of Venture Series shares had the option to sell or continue to hold their shares and 97% of the holders of Venture Series shares opted to sell, while 3% elected to continue to hold their shares. Holders of Ventures Series shares who opted to sell their shares to the Company received a cash payment equal to 43.5% of the net asset value per Venture Series share on the day prior to the date of the Arrangement

Agreement, adjusted based upon the per-share net asset value of the Venture Series portfolio as at the end of the business day immediately prior to May 28, 2021. The Balanced Shares (series 2) were renamed “Legacy Shares” and each outstanding Balanced Share (series 1) was exchanged for 1.18 Legacy Shares. The price paid for Balanced Shares (series 1) was effectively $1.7977, and for Balanced Shares (series 2) the price paid was $1.5157.

Those shareholders who sold their Venture Series shares ("Exiting Shareholders") had a limited and conditional right to an additional cash payment from the Company based on a percentage share of the net gains over carrying values at the effective date of the WOF Transaction from divestment activity in the Venture Series portfolio before May 18, 2022. Specifically, (a) if a divestment completed on or before November 18, 2021, Exiting Shareholders would receive their pro rata portion of 60% of the net gain; (b) if a divestment completed on or before February 18, 2022, Exiting Shareholders would receive their pro rata portion of 45% of the net gain; and (c) if a letter of intent, term sheet or binding agreement for a divestment was entered into on or before February 18, 2022 and such divestment subsequently completed by May 18, 2022, Exiting Shareholders would receive their pro rata entitlement of 20% of the net gain.

The Legacy Shares’ rights and restrictions provide for them to be redeemed by PPI on a pro rata basis at NAV upon any divestment of a portfolio investment. On October 13, 2021, as a result of the divestments of two portfolio investments, PPI redeemed approximately 58.49% of all Legacy Shares on a pro rata basis at a redemption price of approximately $6.4705 per share. The Company received a total of $63,197,947 on redemption of 9,767,089 of the Legacy Shares it held. This redemption triggered a requirement for the Company to pay an additional cash payment of $21,136,513, or $1.2661 per share, to the Exiting Shareholders and the Company made the payment effective October 13, 2021.

Because there was no letter of intent, term sheet or binding agreement for a divestment entered into after November 18, 2021 and before February 18, 2022, which was the final period during which an additional exit payment could have been triggered, the right to any additional cash payment ceased and the Exit Venture Shares were redeemed automatically effective May 20, 2022.

Under the Transaction, Legacy Shares shareholders were required to make an election and to ensure their Legacy Shares were held in an account that is eligible. Shareholders that did not transfer their Legacy Shares to an eligible account by June 10, 2022, reverted back to receiving the applicable cash consideration from the Company under the Transaction. In total an additional 10,440 ineligible Legacy Shares were acquired for a total payment of $59,297, bringing the Company’s ownership of PPI to 98%.

In August 2022, PPI redeemed approximately 7.04% of all Legacy Shares, including those held by the Company, on a pro rata basis at a redemption price of approximately $8.2573 per share. The Company received a total of $4,033,749 upon the redemption of 488,507 of the Legacy shares it held. All shares were purchased and redeemed by the Company, bringing its ownership of PPI to 98%. As at September 30, 2022, the Company held 98% (December 31, 2021 - 97%) of the outstanding Legacy Shares, or 6,425,725 Legacy Shares. (December 31, 2021- 6,930,953 Legacy shares).

bringing its ownership of PPI to 98%. As at September 30, 2022, the Company held 98% (December 31, 2021 - 97%) of the outstanding Legacy Shares, or 6,425,725 Legacy Shares. (December 31, 2021- 6,930,953 Legacy shares).

Under IFRS, the gain inherent in the difference between the price the Company paid for the acquired shares and the net value of the assets acquired is treated as a deferred gain and a contra asset[2], under the investments reported in the financial statements. Total shareholders' equity per share for financial reporting purposes excludes this "Day-One Gain". Instead, under IFRS, the gain is deferred and recognized and taken into income to the extent applicable upon a change in a factor (including time) that market participants would take into account when pricing the investment.

"Reporting NAV" and "Reporting NAV per Share" were the non-IFRS measures that represented the Company's net assets per share including the "Day-One Gain", i.e., including its 97% proportionate share of the full net asset value of PPI. These non-IFRS measures do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other reporting issuers. The Company used Reporting NAV and Reporting NAV per Share because we believed that they were key indicators of the value and condition of our business. We used Reporting NAV and Reporting NAV per share while they were relevant, until such time as the unrecognized Day-One Gain was no longer material relative to total shareholders' equity.

In connection with the WOF Transaction, the Company entered into a three-year credit facility agreement dated May 28, 2021, as amended March 31, 2022, with a Canadian chartered bank that allows it to draw up to $10 million one or two tranches, secured against the Company's interest in the private investments held by its investee, PPI.

In 2021, the Company drew $5,000,000 on the Term Loan at an interest rate of Prime + 5% per annum. As security for the Term Loan, the Company granted the lender a security interest in all of the shares of PPI held by the Company and in its holdings in its public company investments. On March 31, 2022, the bank swept the $5,000,000 owing under this first tranche and collected $193,027 as six months' prepayment interest. Concurrently, the Company drew down an additional $5,000,000 as a second tranche which bears interest at the rate of Prime + 2% and has a minimum one-year term. The loan matures on May 28, 2024.

Outlook

The quarter saw a continuation of the market challenges that started 2022. Geopolitical uncertainty, persistent inflation and rising interest rates all contributed to a slower economic growth outlook. The economy has yet to slow materially as evidenced by record-low unemployment, giving central banks some latitude to continue ratcheting up interest rates. Investors have continued to focus on these macro variables and the growing concern that a recession is needed to cool inflation and slow aggregate demand. This has weighed on equities and multiples have compressed, with the expectations that the slowing macro environment will lead to an earnings recession. We will continue to monitor these global events and assess their impacts on the Company and our Portfolio Companies over time.

We have evaluated the potential impact of current global events on each of our Portfolio Companies. As part of our analysis, we also evaluate each private Portfolio Company under various fundamental scenarios. We will remain diligent as more information continues to become available as these companies continue to respond to the challenges and opportunities in the current market.

We are steadfast investors and continue to work closely with certain private Portfolio Companies with the aim of helping them develop and maintain their intrinsic value, while seeking an orderly realization of that

[2] A contra asset is a deduction from an asset that is reported on or below the related asset line in the financial statements. In this case, as required under IFRS, the *deferred gain* is recorded as a contra asset to the Company's *investments*, in effect, reducing the amount shown on the investments line in the financial statements.

value to achieve returns for our shareholders.

Portfolio of Investments

Our portfolio of investments reflects the fact that we are long-term, high-conviction investors while we also try take advantage of short-term “close-the-discount” opportunities where it makes sense to do so.

During the nine months ended September 30, 2022, we contributed additional capital into PPDF, a limited partnership that invests in private debt. We also bought additional securities of several existing publicly listed Portfolio Companies, such as Peloton Interactive, Inc., Sangoma Technologies Corporation, Zillow Group, Inc., and a debenture of one of our private Portfolio Companies was converted to preferred shares when we participated in a new financing round. During the nine months ended September 30, 2022, we also contributed capital in pre-funding rounds of PTIF II, a limited partnership that invests in private equity. Divestments of existing publicly listed Portfolio Companies included Stitch Fix, Inc., MAV Beauty Brands Inc., Redline Communications Group Inc., Vigil Health Solutions Inc. and Newtopia Inc.’s warrant. We also divested part of our holdings of several existing publicly listed Portfolio Companies, such as Copperleaf Technologies Inc., Peloton Interactive, Inc., Sangoma Technologies Corporation, and Zillow Group, Inc.

We were pleased to see certain private technology companies from within our portfolio having the opportunity to go public. On August 8, 2022, D-Wave Systems Inc. (“D-Wave”) announced the completion of its previously announced intention to list on the New York Stock Exchange following a business combination with DPCM Capital, Inc. and D-Wave Systems Inc., as a publicly traded special purpose acquisition company (“SPAC”) named D-Wave Quantum Inc. under the symbol QBTS. The Company holds shares of D-Wave both directly and indirectly, through Pender Private Investments Inc., and both are subject to a lock-up period[3]. There is no guarantee that the value of D-Wave shares will be realized after the expiration of the lock-up period.

As at September 30, 2022, the weight of our Portfolio Company holdings was 91.3% of Net Asset Value, a decrease of 13.6% over the 104.9% at December 31, 2021.

Pender’s Net Assets as at September 30, 2022 were comprised of securities of publicly listed companies (17.2%) and private unlisted companies (74.1%), with cash and other assets net of liabilities making up the remainder (8.7%). Looking through to the underlying holdings of PPI, PPDF, and PTIF II, three private investees which themselves hold securities of public and/or private companies, the makeup of the portfolio is 86.2% publicly listed company securities and 13.8% private company securities.

The table below presents the fair value of investments as at September 30, 2022 and December 31, 2021.

Investment	September 30, 2022	December 31, 2021
Total Investment	$ 77,578,386	$ 213,495,382
LESS: Deferred gain	5,144,185	5,144,185
Net investment	$ 72,434,201	$ 208,351,197

After recognizing $27,654,608 of the deferred gain described in the “Recent Developments” section of this MD&A during the year ended December 31, 2021, the company’s recognition of the deferred gain was $NIL in the quarter ended September 30, 2022. The quarter-end balance of the deferred gain was $5,144,185.

[3] The lock up period is the lesser of (A) six months following the closing and (B) the date on which the last reported sale price of the QBTS equals or exceeds U$12.00 per share for any twenty trading days within any thirty consecutive trading day period commencing after the ninetieth day following the closing

The significant trends and events for Pender's Portfolio Companies in the nine months ended September 30, 2022, are described in the following sections.

Significant Equity Investments

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company has determined that it is a significant equity investee in PPI and directly and indirectly in Copperleaf. Accordingly, we are required to disclose the following summary financial information. The summarized financial information provided is for the comparative financial years.

Pender Private Investments Inc.

PPI is an investment entity that holds a portfolio of companies in the technology sector. The Company acquired shares of PPI during 2021 as further described in the "Recent Developments" section of this MD&A. As at September 30, 2022, the Company held 98% of the outstanding Legacy Shares of PPI as well as 100% of its outstanding Commercialization Shares.

Pender Private Investments Inc.

Selected Financial Information	September 30, 2022	December 31, 2021
Total assets	$ 63,003,524	$ 192,381,033
Total liabilities	9,709,893	36,238,467
Total shareholder' equity	53,293,631	156,142,566

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Total revenue	$ (122,759,439)	$ 135,400,375
Net (loss) income	(98,261,573)	108,832,139

The PPI portfolio includes investments in three entities that are also held directly by the Company, Copperleaf, D-Wave Quantum Inc., and BuildDirect.com Technologies Inc., as well as a number of other investments in Portfolio Companies, one or more of which are described below.

Copperleaf Technologies Inc.

Copperleaf provides decision analytics to companies managing critical infrastructure. Its enterprise software solutions leverage operational and financial data to help its clients make strategic investment decisions about how best to sustain and expand this infrastructure to deliver the highest business value. Copperleaf is based in Vancouver and its solutions are distributed and supported by regional staff and partners worldwide.

In the fourth quarter of 2021, Copperleaf completed an IPO with its common shares trading on the TSX under the symbol "CPLF". In the third quarter of 2022, the company announced its operating results, reporting 19% revenue growth for the trailing twelve-month period, led by 27% growth in annual recurring revenue. Its pipeline of new business remains strong, although the sales cycle has slowed due to the uncertain macro environment and increased conservatism from its customers. Despite some slowing, the company continues to grow, maintains a strong balance sheet and we believe the shares are undervalued.

Copperleaf's solution is being used to manage an estimated $2.8 trillion of infrastructure across multiple industry sectors, including energy, water, transportation, and government, in more than 24 countries.

As at September 30, 2022, the Company held 9.6% of Copperleaf's issued and outstanding shares, both directly and through its investment in PPI.

Copperleaf Technologies Inc.

Selected Financial Information	September 30, 2022	December 31, 2021
Total assets	$ 178,368,443	$ 206,042,380
Total liabilities	44,702,793	51,024,372
Total shareholder' equity	133,665,650	155,018,008

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Revenue	$ 54,214,516	$ 47,485,285
Gross profit	40,189,799	37,624,075
Net loss and comprehensive loss for the year	(25,832,903)	(6,674,784)

Please also refer to the "Risk Factors" and "Overall Performance" sections of this MD&A.

Private Unlisted Companies

We continue to work with our private Portfolio Companies, with the ongoing aim of helping them build their intrinsic value over the long-term to achieve returns for our shareholders.

General Fusion Inc.

General Fusion Inc. ("General Fusion") is a research and development stage company with the goal of developing a practical path to commercial fusion power, providing a powerful complement to renewables and a pathway to a zero-emission grid. General Fusion continues to work towards the deployment of its power-plant scale Fusion Demonstration Plant to be built at an England-based campus of the UK Atomic Energy Authority. This initiative is intended to verify whether General Fusion's technology can create fusion conditions in a practical and cost-effective manner at power plant relevant scales potentially leading to the subsequent design of a commercial fusion pilot plant. Building its fusion demonstration plant positions the company on a course to bring clean fusion energy onto the world's energy systems by the early 2030s. During the third quarter of 2022, the company announced the appointment of Greg Twinney as CEO, following two years of serving as CFO, to lead the company as it transitions from research and development to technology demonstration to support commercialization efforts.

Jane Software Inc.

Jane Software Inc. ("Jane") is a software company with a platform that is modernizing practice management software. Jane enables physiotherapists, mental health counsellors, chiropractors, and other allied health practitioners to run their practices in a digital-first way through features such as online booking, charting, scheduling, secure video, and billing. Tens of thousands of healthcare practices globally are running on Jane, and in 2021, over 73 million patient appointments were processed on the platform. Jane is profitable, product-led and growing, with a team over over 250 employees. During the third quarter of 2022, the company continued to develop its integrated payment processing features.

Clarius Mobile Health Corp.

Clarius Mobile Health Corp. ("Clarius") is developing and commercializing ultra-portable ultrasound scanners, with mobile applications and cloud solutions. The scanners connect wirelessly to off-the-shelf smartphones and tablets, based on its proprietary "ultrasound system-on-chip" technology. This novel technology efficiently utilizes technical resources on the chip, thus allowing high image quality to be maintained in a small form factor.

Clarius has a strong position in the ultra-portable ultrasound market with thousands of devices sold to date, and in 2021, surpassed the one million count for ultrasound exams to-date, an indication of the emergence of the point-of-care ultrasound industry. In the third quarter of 2022, the company announced executive promotions, including the promotion of Ohad Arazi to CEO, to position it for growth with its technology and to expand its partnerships.

Checkfront, Inc.

Checkfront, Inc. ("Checkfront") develops cloud-based booking management applications and e-commerce platforms for tour providers, accommodation managers, and rental businesses in Canada and internationally. The Checkfront platform helps businesses manage their inventories, centralize reservations and process payments. Checkfront's solution is used as an operating system by thousands of operators in over one hundred countries. With the return to travel after pandemic restrictions started to be eased or lifted, the company is seeking to benefit from its efforts in developing its infrastructure and people during the period of restrictions.

Publicly listed Companies

During the quarter ended September 30, 2022, we continued to be patient, fundamental investors. As long-term investors, we do not believe discussions around quarterly or annual gains or losses add much value. Having said that, in the following section we discuss those publicly listed investments that were key contributors to or detractors from the performance of our portfolio during the quarter ended September 30, 2022, and we highlight some of the publicly listed companies new to the portfolio this reporting period, if any.

D-Wave Quantum Inc.

D-Wave is a leader in quantum computing systems, software, and services - developing and delivering quantum computing systems, software and services worldwide, and the only provider building both annealing and gate-model quantum computers.

On August 8, 2022, D-Wave, an existing private company holding in the portfolio, announced the completion of its previously announced intention to list on the New York Stock Exchange following a business combination with DPCM Capital, Inc. and D-Wave Systems Inc., as a publicly traded SPAC named D-Wave Quantum Inc. under the symbol QBTS. The Company holds shares of D-Wave both directly and indirectly, through PPI and all of its shares are subject to a lock-up period[4]. There is no guarantee that the value of D-Wave shares will be realized after the expiration of the lock-up period.

The key positive publicly listed contributor to the Company's performance for the quarter ended September

[4] The lock up period is the lesser of (A) six months following the closing and (B) the date on which the last reported sale price of the QBTS equals or exceeds U$12.00 per share for any twenty trading days within any thirty consecutive trading day period commencing after the ninetieth day following the closing

30, 2022 was D-Wave Quantum Inc. (NYSE: QBTS).

On the flip side, the portfolio saw some of its publicly listed holdings incur losses during the quarter ended September 30, 2022, with Inscape Corp. (TSX:INQ) and Sangoma Technologies Corp. (TSX:STC) being some of the key detractors.

Portfolio transactions during the year were made based on our stock selection process. In general, we increased weightings of individual stocks where we determined the price relative to our estimate of intrinsic value had increased and decreased the weightings of companies that moved closer to our estimates of their intrinsic values or where we found better opportunities. We may liquidate our positions for various reasons, such as when share prices have reached our assessment of fair value, when an acquisition has occurred or where we have changed our investment thesis. During the quarter ended September 30, 2022, we did not make any new investments and we exited our holdings of Redline Communications Group Inc.

Portfolio Turnover

The Company's portfolio turnover was 2.6% during the three months (September 30, 2021 – 1.5%) and 12.9% during the nine months ended September 30, 2022 (September 30, 2021 – 37.5%). The portfolio turnover rate is calculated based on the lesser of purchases and proceeds of sales of securities during a period as a percentage of the average value of the Company's investments in that period. In general, lower turnover rates may result in lower trading costs.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

As long-term, high-conviction investors, our goal is to create long-term capital appreciation for our shareholders, continuing to build on the Class C Shares' 20.8% annualized return under IFRS since inception.

At Pender, we quantify our investment results in terms of the growth in Net Assets or Net Assets per Share rather than the change in shareholders' equity or the change in our listed share price. The growth in Net Assets per Share over time is primarily a result of investment performance. Like many listed investment entities, our shares may trade at prices that may not be indicative of the underlying value of our Net Assets per Share. Further, the share price may change due to factors which are unrelated to our Net Assets per Share.

In 2021, Copperleaf, a Portfolio Company which is held both directly and indirectly through the Company's investment in PPI, was publicly listed and at December 31, 2021 its closing price was $23.85 per share, resulting in a substantial direct and indirect unrealized gain under IFRS. Those unrealized gains were a major factor in the 2021 increase in the Company's shareholders' equity, which went from $47.3 million at the beginning of 2021 to $198.6 million at December 31, 2021.

During the first three quarters of 2022, Copperleaf's trading price declined from $23.85 per share at December 31, 2021 to $6.28 per share at September 30, 2022. This $17.57 per share decrease resulted in a large reversal of the unrealized appreciation that had been recorded on the Company's holdings of Copperleaf in 2021, which was a major factor in the $119,338,160 (60.1%) decrease in the Company's total shareholders' equity, which went from $198,643,655 at December 31, 2021 to $79,305,495 at September 30, 2022. See further information in the "Financial Performance" section of this MD&A. Other factors contributing to the decline in Net Assets in the year to date were share repurchases of $474,876 under the

NCIB described in the "Recent Developments" section of this MD&A, and the other elements of the Company's net loss from in the period.

During the three months ended September 30, 2022, Net Assets per Share ranged from $10.46 to $11.78, while our closing price per share on the TSXV ranged from a high of $9.95 per share to a low of $8.22. During the quarter, the shares traded at prices representing a discount to Net Assets per Share from 28.24% to 11.75%.

During the nine months ended September 30, 2022, Net Assets per Share ranged from $10.46 to $26.08, while our closing price per share on the TSXV ranged from a high of $18.00 per share to a low of $8.22. During the nine months, the shares traded at prices representing a discount to Net Assets per Share from 46.32% to 11.75%.

Please refer to the "Financial Performance" and "Financial Condition" sections of this MD&A for additional details and to the "Past Performance" section of this MD&A for the performance of Class C Shares. The sectors in which the Company was invested as at September 30, 2022 are listed under the "Summary of Investment Portfolio" section of this MD&A.

SELECTED FINANCIAL INFORMATION

The following tables present selected key financial information about the Company to provide an understanding of the Company's financial condition as at September 30, 2022, compared to September 30, 2021, and for the three preceding financial years, as well as its financial performance in the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. This section should be read together with the Condensed Interim Financial Statements and the Annual Audited Financial Statements.

Supplemental Data

	2022 Q3	2021 Q3	2021	2020	2019
Net Assets ($000s)	79,305	131,876	198,644	47,254	33,833
Non-Redeemable Class C Shares Outstanding	7,582,329	7,616,529	7,616,529	7,740,129	8,083,329
Net Assets per Share ($)	10.46	17.31	26.08	6.11	4.19
Closing Market Price* ($)	8.22	11.50	18.00	4.35	3.75
Total decrease (Increase) from Operations per Share ($)	(15.65)	9.89	19.90	1.84	0.31

*Market Price: Closing market price on the last trading day of the period as reported on the TSXV

Financial Performance

	2022 Q3 (3 months)	2021 Q3 (3 months)	2022 Q3 (9 months)	2021 Q3 (9 months)
Net realized (loss) gain	$ 2,453,227	$ 11,759,663	$ (4,365,700)	$ 16,258,325
Net change in net unrealized (loss) gain	(9,113,619)	76,193,222	(125,353,312)	95,868,384
Foreign exchange (loss) gain	11	-	(8,808)	-
Interest and securities lending income	5,286	41,373	9,677	226,012
Total revenue	(6,655,095)	87,994,258	(129,718,143)	112,352,721
Management fees	195,014	312,570	647,740	814,874
Withholding taxes, GST/HST and transactions cost	635	104,523	16,147	638,625
Other expenses	305,135	301,745	1,049,928	694,709
Contingent payment	-	9,377,925	-	21,136,513
Total operating expenses	500,784	10,096,763	1,713,815	23,284,721
Net operating (loss) income	(7,155,879)	77,897,495	(131,431,958)	89,068,000
Other items:				
Performance fees	3,924,710	18,774,287	(22,703,353)	20,348,791
Performance fees waived by the Manager	(981,178)	(4,693,572)	5,675,838	(5,087,198)
Net amount	2,943,532	14,080,715	(17,027,515)	15,261,593
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	(294,045)	(23,679,545)	23,934,436	(23,679,545)
Total performance fee adjustment	2,649,487	(9,598,830)	6,906,921	(8,417,952)
Net (loss) income before income taxes (recovery)	(9,805,366)	87,496,325	(138,338,879)	97,485,952
Income taxes (recovery)				
Current	(1,792,043)	-	(1,832,582)	-
Deferred	506,798	12,157,275	(17,643,013)	12,157,275
Total income taxes (recovery)	(1,285,245)	12,157,275	(19,475,595)	12,157,275
Net (loss) income	**$ (8,520,121)**	**$ 75,339,050**	**$ (118,863,284)**	**$ 85,328,677**
Management expense ratio	2.35%	4.30%	1.90%	3.93%
Trading expense ratio	0.00%	0.73%	0.02%	1.66%

Financial performance for the three months ended September 30, 2022

Highlights of the Portfolio Companies contributing to Pender's investment performance in the three months ended September 30, 2022 are presented in the "Portfolio of Investments" section of this MD&A.

(a) Net realized gains and losses

Net realized gains and losses on investments are the result of the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the three months ended September 30, 2022, the net realized gain on investments was $2,453,227 (September 30, 2021 – net realized gain $11,759,663), attributable to the divestments of Redline Communications Group Inc., and partial divestments of Copperleaf Technologies Inc. and a Private Company.

(b) Change in unrealized gains and losses

The net change in unrealized gains and losses on investments is the result of changes in the value of Portfolio Companies held throughout the period and also as a result of unrealized gains or losses being reversed upon becoming realized gains or losses upon the sale of Portfolio Companies. The net change in unrealized gains and losses is generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the three months ended September 30, 2022, the Company's net change in unrealized gains and losses on investments reflected a loss of $9,113,619 (September 30, 2021 – gain of $76,193,222), primarily due to decreases in the traded prices of some of Pender's publicly listed Portfolio Companies.

(c) Foreign exchange gains and losses

Pender's financial statements are presented in Canadian dollars, so, to the extent that it holds US dollar-denominated assets and/or liabilities, it is exposed to fluctuations in currency exchange rates, which may result in foreign currency gains and/or losses. During the three months ended September 30, 2022, Pender had a foreign exchange gain of $11 (September 30, 2021 - $Nil). At present, the Manager believes that the level of the Company's US dollar-denominated assets does not warrant hedging the exposure to fluctuations in exchange rates.

(d) Interest and securities lending income

The Company may earn interest on its investments in securities, interest on its cash balances, and income from securities lending. The Company earned interest of $5,286 on its cash balance during the three months ended September 30, 2022 (September 30, 2021 - $41,373).

(e) Management Fees

The Company pays the Manager a management fee which is calculated as a percentage of Net Assets. The fee varies from period to period in proportion to the variance in the average balance of Net Assets used in the calculation of management fees.

Overall, management fee expense was $195,014 for the three months ended September 30, 2022, which was $117,556 lower than the fee of $312,570 in the three months ended September 30, 2021. This decrease in management fees paid by the Company reflected the decrease in the level of Net Assets used as the basis for the management fee calculation. The Company's Net Assets were lower in the third quarter of 2022 compared to the third quarter of 2021, the Net Assets used in the management fee calculation exclude the value of the Company's investment in PPDF, PTIF II and, following the WOF Transaction, the value of the Company's investment in PPI.

(f) Performance fees

The Manager is entitled to a performance fee in certain circumstances. The performance fee is calculated annually as 20% of any net increase in shareholders' equity above an annual hurdle rate of 6%, subject to a high water mark. Performance fees are accrued during the year, and the total performance fee for the year as calculated on the last Valuation Date of the year, if any, and becomes payable upon the publication of the Company's annual audited financial statements. In 2021, the Manager, in its sole discretion, waived a portion of the performance fee it charged, reducing it from 20% down to 15%. During the three months ended September 30, 2022, the Company did not earn Performance fees (September 30, 2021 - $Nil).

The net performance fee for 2021 was $27,743,466, of which $22,514,596 represented performance fees calculated on the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf ("2021 Unrealized Performance Fee") and $5,228,870 represented performance fees calculated on the net realized gains. This latter amount was paid to the Manager in April 2022.

The Manager, in its sole discretion, decided that the 2021 Unrealized Performance Fee would not be paid upon the publication of the Company's 2021 audited annual financial statements. Instead, as gains on Copperleaf are crystallized in the future, the performance fee will be recalculated and paid quarterly, based on the total of (1) the realized gain on the Company's direct holdings of Copperleaf and (2) the realized gain on the Company's indirect holdings of Copperleaf, in excess of 20% of the Company at such time. After the Copperleaf holdings in excess of a 20% weighting are sold, the performance fee on the unrealized appreciation on the Company's remaining holdings of Copperleaf will be paid. The high water mark will be recalculated accordingly. As at September 30, 2022, the total performance fee payable was $5,487,081, comprised of $281,417 for performance fees calculated on net realized gains on those Copperleaf shares and $5,205,664 for performance fees calculated on the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf..

During the three months ended September 30, 2022, the Company recorded an adjustment to the accrued 2021 performance fees of $2,943,532 (September 30, 2021 – $14,080,715).

The Company's Manager is also the manager of PPI and earns a performance fee from PPI (the "PPI Performance Fee") in certain circumstances. The Manager has agreed to pay to the Company an amount equal to the portion of the PPI Performance Fee it earns that is attributable to the Company's 98% ownership of PPI's Legacy Shares. As at December 31, 2021, the Company had accrued $34,150,813 as receivable from the Manager in this regard. This accrual was for performance fees on unrealized gains at PPI, which are accrued at PPI but not payable until a divestment occurs, at which time they will be recalculated based on the final Net Divestment Proceeds and paid to the Manager. During the three months ended September 30, 2022, the Company's receivable from the Manager for its 98% of the PPI Performance Fees increased by $294,045 (September 30, 2021 - $23,679,545).

The net impact of the above described $2,943,532 accrued performance fee due to the Manager and PGF's $294,045 PPI Performance Fee receivable from the Manager was a total performance fee adjustment of $2,649,487 (September 30, 2021 – $(9,598,830)).

For the year ended December 31, 2021, the high water mark was reset to $10.95 excluding the impact of the unrealized gains on Copperleaf, which would otherwise have increased the high water mark by $18.77. As at September 30, 2022, the high water mark at December 31, 2021 was recalculated to reflect realized gains on Copperleaf and reset at $11.19, the decrease in the unrealized appreciation of Copperleaf reduced that $18.77 to $4.33.

(g) Income taxes expenses (recovery)

The Company has reflected the net benefit of current year's tax losses available for carryback to the 2021 tax year in estimating its income taxes for the period ended September 30, 2022. During the three months ended September 30, 2022, the current income tax receivable was $2,304,051 (June 30, 2022 - $Nil), which resulted in a current income taxes recovery of $1,792,043 (September 30, 2021 – $Nil). The deferred income tax liability that had been accrued at June 30, 2022 was increased from $1,363,584 to $1,870,382, which resulted in a deferred income taxes expenses of $506,798 (September 30, 2021 – accrued expenses $12,157,275).

(h) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total MER Costs by the average Net Assets. Performance fees are excluded from MER Costs. The MER for the three months ended September 30, 2022 was 2.35%, which is 1.95% lower than the 4.30% MER during the three months ended September 30, 2021, primarily due to decreased operating expenses during the period, although the average value of Net Assets increased.

(i) Trading Expense Ratio

The TER is an annualized percentage calculated by dividing the total of all commissions and other portfolio transaction costs by the average Net Assets during the period. The small number of Portfolio Companies and the long-term investment horizon of the Company have resulted in a TER that is relatively low. The TER for the three months ended September 30, 2022 is Nil (September 30, 2021 – 0.73%).

Financial performance for the nine months ended September 30, 2022

Highlights of the Portfolio Companies contributing to Pender's investment performance in the nine months ended September 30, 2022 are presented in the "Portfolio of Investments" section of this MD&A.

(a) Net realized gains and losses

Net realized gains and losses on investments are the result of the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the nine months ended September 30, 2022, the net realized loss on investments was $4,365,700 (September 30, 2021 – net realized gain $16,258,325), attributable to the divestments of MAV Beauty Brands Inc., Redline Communications Group Inc., Stitch Fix, Inc, Vigil Health Solutions, the partial divestment of a Private Company and partial divestments of certain publicly listed Portfolio Companies, including Copperleaf Technologies Inc., Peloton Interactive, Inc., Sangoma Technologies Corporation and Zillow Group Inc.

(b) Net change in unrealized gains and losses

The net change in unrealized gains and losses on investments is the result of changes in the value of Portfolio Companies held throughout the period and also as a result of unrealized gains or losses being reversed out of this category upon becoming realized gains or losses upon the sale of Portfolio Companies. The net change in unrealized gains and losses is generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the nine months ended September 30, 2022, the Company's net change in unrealized gains and losses on investments reflected a loss of $125,353,312 (September 30, 2021 – gain of $95,868,384), primarily due to the fact that the trading price of the Company's most material holding, Copperleaf, decreased from $23.85 at December 31, 2021 to $6.28 per share at September 30, 2022.

(c) Foreign exchange gains and losses

Pender's financial statements are presented in Canadian dollars, so, to the extent that it holds US dollar-denominated assets and/or liabilities, it is exposed to fluctuations in currency exchange rates, which may result in foreign currency gains and/or losses. During the nine months ended September 30, 2022, the Company had a foreign exchange loss of $8,808 (September 30, 2021 - $Nil). At present, the Manager believes that the level of the Company's US dollar-denominated assets does not warrant hedging the exposure to fluctuations in exchange rates.

(d) Interest and securities lending income

The Company may earn interest on its investments in securities, interest on its cash balances, and income from securities lending. The Company earned $9,677 in interest during the nine months ended September 30, 2022 (September 30, 2021 - $226,012). The decrease in the period was due to the fact that the Company earned no securities lending income (September 30, 2021 - $8,052), and held no interest-bearing securities in the quarter.

(e) Management Fees

The Company pays the Manager a management fee which is calculated as a percentage of Net Assets. The fee varies from period to period in proportion to the variance in the average balance of Net Assets used in the calculation of management fees.

Overall, management fee expense was $647,740 for the nine months ended September 30, 2022, which was $167,134 lower than the fee of $814,874 in the nine months ended September 30, 2021. This decrease in management fees paid by the Company reflected the decrease in the level of Net Assets used in the management fee calculation. Although the Company's Net Assets were higher in the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, the Net Assets used in the management fee calculation exclude the value of the Company's investment in PPDF, PTIF II and, following the WOF Transaction, the value of the Company's investment in PPI.

(f) Performance fees

The Manager is entitled to a performance fee in certain circumstances. The performance fee is calculated annually as 20% of any net increase in shareholders' equity above an annual hurdle rate of 6%, subject to a high water mark. Performance fees are accrued during the year, and the total performance fee for the year as calculated on the last Valuation Date of the year, if any, and becomes payable upon the publication of the Company's annual audited financial statements. In 2021, the Manager, in its sole discretion, waived a portion of the performance fee it charged, reducing it from 20% down to 15%. During the nine months ended September 30, 2022, the Company did not earn Performance fees (September 30, 2021 – net performance fee accrual $15,261,593).

Of the net 2021 performance fee accrual of $27,743,466 as at December 31, 2021, $22,514,596 related to performance fees calculated on the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf ("2021 Unrealized Performance Fee") and $5,228,870 related to performance fees calculated upon net realized gains, and this latter amount was paid to the Manager in April, 2022. The Manager, in its sole discretion, decided that the 2021 Unrealized Performance Fee would not be paid upon the publication of the Company's audited annual financial statements. Instead, this portion of the performance fee would be recalculated and paid quarterly, based on the total of (1) the realized gain on the Company's direct holdings of Copperleaf and (2) the realized gain on the Company's indirect holdings of Copperleaf, in excess of 20% of the Company at such time. After the Copperleaf holdings in excess of a 20% weighting are sold, the performance fee on the unrealized appreciation on the Company's remaining holdings of Copperleaf will be paid. The high water mark will be recalculated accordingly. During the nine months ended September 30, 2022, due to a negative change in the unrealized appreciation of

Copperleaf, the Company recorded a net reversal of previously accrued performance fees of $17,027,515 (September 30, 2021 – accrued performance fee of 15,261,593).

The Company's Manager is also the manager of PPI and earns a PPI Performance Fee in certain circumstances. As described in part (f) in the preceding "Financial performance, for the three months ended September 30, 2022**"** section of this MD&A, the Manager has agreed to pay the Company 98% of the PPI Performance Fee. As at December 31, 2021, the Company had accrued $34,150,813 as receivable from the Manager relating to the PPI Performance Fees on unrealized gains at PPI. This part of the PPI Performance fee is accrued at PPI but it is not payable until a divestment occurs, at which time it will be recalculated based on the final Net Divestment Proceeds and paid to the Manager, who will then pay the Company its 98%. During the nine months ended September 30, 2022, the $24,835,541 decrease in this receivable relates to the change in the unrealized appreciation of the Company's indirect holdings of Copperleaf, and the $901,105 relates to a payment received in August 2022, the net decrease is $23,934,436. (September 30, 2021 – accrued PPI Performance Fee earned by the Manager attributable to the Company's ownership of PPI shares $23,679,545).

The net impact of the two above described elements, the $17,027,515 reversal of the performance fee due to the Manager and $23,934,436 reversal of the PPI Performance Fee receivable, was a total performance fee adjustment of $6,906,921 (September 30, 2021 – total performance fee recovery $(8,417,952)).

For the year ended December 31, 2021, the high water mark was reset to $10.95 excluding the impact of the unrealized gains on Copperleaf, which would otherwise have increased the high water mark by $18.77. As at September 30, 2022, the high water mark at December 31, 2021 was recalculated to reflect realized gains on Copperleaf and reset to $11.19, the decrease in the unrealized appreciation of Copperleaf reduced that $18.77 to $4.33.

(g) Income taxes expenses (recovery)

The Company has reflected the net benefit of current year's tax losses available for carryback to the 2021 tax year in estimating its income taxes for the period ended September 30, 2022. During the nine months ended September 30, 2022, the current income tax receivable was $2,304,051 (December 31, 2021 - $Nil), which resulted in a current income taxes recovery of $1,832,582 (September 30, 2021 – $Nil). The deferred income tax liability that had been accrued at December 31, 2021 was decreased from $19,513,395 to $1,870,382, which resulted in a deferred income taxes recovery of $17,643,013 (September 30, 2021 – accrued expenses $12,157,275).

(h) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total MER Costs by the average Net Assets. Performance fees are excluded from MER Costs. The MER for the nine months ended September 30, 2022 was 1.90%, which was 2.03% lower than the 3.93% MER during the nine months ended September 30, 2021, primarily due to decreased operating expenses during the period, although the average value of Net Assets increased.

(i) Trading Expense Ratio

The TER is an annualized percentage calculated by dividing the total of all commissions and other portfolio transaction costs by the average Net Assets during the period. The small number of Portfolio Companies and the long-term investment horizon of the Company have resulted in a TER that is relatively low. The TER for the nine months ended September 30, 2022 is 0.02% (September 30, 2021 – 1.66%).

Financial Highlights

Net Assets per Share (Note 1)	2022 Q3 (3 months)	2021 Q3 (3 months)	2021	2020	2019
Net Assets per Share (beginning of period)	$11.58	$6.11	$6.11	$4.19	$4.14
(Decrease) increase from operations:					
Total revenue	0.00	0.01	0.04	0.23	0.09
Total expenses	(0.24)	(1.66)	(2.18)	(0.29)	(0.16)
Realized gains	0.32	1.54	6.87	0.88	0.09
Unrealized (losses) gains	(1.20)	10.00	15.17	1.02	0.29
Total (decrease) increase from operations	(1.12)	9.89	19.90	1.84	0.31
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	-	-	-	-	-
Net Assets per Share (end of period)	$10.46	$17.31	$26.08	$6.11	$4.19
Ratios and Supplemental Data					
Total net asset value ($000s)	$79,305	$131,876	$198,644	$47,254	$33,833
Number of shares outstanding	7,582,329	7,616,529	7,616,529	7,740,129	8,083,329
Closing market price	$8.22	$11.50	$18.00	$4.35	$3.75

Note 1 – Net assets per share is based on the number of shares outstanding at the relevant time. The increase (decrease) from operations per share is based on the weighted-average number of shares outstanding during the period. Therefore, the beginning of period net assets plus the increase (decrease) from operations shown above will not sum to the end of period net assets.

Financial Condition

	September 30, 2022	December 31, 2021
Assets		
Cash	$ 6,367,829	$ 10,008,858
Income taxes receivable	2,304,051	-
Due from related parties	3,724,037	6,243,402
Divestment proceeds receivable	1,604,835	1,671,449
Prepaid expenses	14,814	37,613
Interest receivable	-	198,210
Investments	72,434,201	208,351,197
Total assets	86,449,767	226,510,729
Liabilities		
Interest payable	29,897	31,637
Share repurchase payable	6,340	-
Accounts payable and accrued liabilities	237,653	203,940
Payable for investments purchased	-	86,976
Income taxes payable	-	3,031,126
Deferred Income tax liability	1,870,382	19,513,395
Loan payable	5,000,000	5,000,000
Total liabilities	7,144,272	27,867,074
Shareholders' equity	$ 79,305,495	$ 198,643,655

(a) Investments

As at September 30, 2022, Pender's total investments of $72,434,201 were comprised of publicly listed Portfolio Companies valued at $13,665,625 plus unlisted Portfolio Companies valued at $63,912,761, less the deferred gain of $5,144,185 described below and in the "Recent Developments" section of this MD&A.

Looking through to the underlying holdings of PPI, PPDF, and PTIF II, three private investees that themselves hold securities of public and/or private companies, the makeup of the portfolio is 86.2% publicly listed company securities and 13.8% private company securities.

The $135,916,996 decrease in the total investments balance from $208,351,197 as at December 31, 2021 to $72,434,201 as at September 30, 2022 is primarily due to the net negative change in unrealized appreciation of Copperleaf and the net realized loss from the disposition of several other publicly listed companies during the period.

In accordance with IFRS, the gain inherent in the difference between the price Pender paid for the acquired shares of PPI and the net value of the assets acquired was treated as a deferred gain and deducted from the value of investments reported in the financial statements. This deferred gain has been recognized and taken into income to the extent applicable, upon changes in a factor that market participants would take into account when pricing the investment such as a public listing of shares. To date, $27,654,608 of the original deferred gain has been recognized and taken into income. The remaining deferred gain at September 30, 2022 is $5,144,185 (December 31, 2021 - $5,144,185).

(b) Cash

Pender holds cash balances to pay operating expenses and, from time to time, as a strategic asset class, to invest in securities. Cash balances are monitored by the Manager. The $6,367,829 cash balance as at September 30, 2022 was $3,641,029 less than the $10,008,858 balance at December 31, 2021. This decrease in cash was due to purchase of investments in the period, the payment of expenses, working capital uses including paying the 2021 corporate income taxes and accounts payable and share repurchases under the NCIB disclosed in the "Recent Developments" section of this MD&A.

(c) Divestment proceeds receivable

As at September 30, 2022, divestment proceeds of $1,604,835 (December 31, 2021 – $1,671,449) represent escrow amounts related to the 2021 disposition of the shares of a private Portfolio Company.

(d) Interest receivable

The September 30, 2022 interest receivable balance was $Nil (December 31, 2021 – $198,210) as the loans and convertible debentures giving rise to interest receivable in prior years were no longer held in the period.

(e) Due from related parties

The $3,724,037 balance due from related parties as at September 30, 2022 (December 31, 2021 – $6,243,402) is comprised of $9,315,272 (December 31, 2021 - $34,150,813) due from the Manager for performance fees the Manager earned from PPI, offset by the $5,591,235 (December 31, 2021 - $27,907,411) amount due to the Manager for management fees, performance fees and operating expenses paid by the Manager on behalf of the Company. Please refer to the detailed information about performance fees and their recognition, in particular as they relate to unrealized gains on Copperleaf, in the "Financial performance in the nine months ended September 30, 2022" section of this MD&A.

(f) Income taxes receivable

The Company has accrued current income taxes receivable of $2,304,051 (December 31, 2021 - $Nil), relating to its estimate of tax receivable when the tax losses incurred in the current year are carried back to the tax year of 2021.

(g) Accounts payable and accrued expenses

The Company's accounts payable and accrued expenses balance represent amounts due to third parties for operating expenses. During the nine months ended September 30, 2022, this balance increased by $33,713 to $237,653 (December 31, 2021 - $203,940) in the normal course of business.

(h) Loan payable

In conjunction with the WOF Transaction described in the "Recent Developments" section of this MD&A, the Company entered into a three-year credit facility agreement with a Canadian chartered bank that allows it to draw up to $10 million in one or two tranches. As at September 30, 2022, the balance drawn on the facility was $5 million (December 31, 2021 - $5 million).

(i) Income taxes payable

The Company has accrued current income taxes payable of $Nil (December 31, 2021 - $3,031,126), and a deferred income tax liability $1,870,382 (December 31, 2021 - $19,513,395) relating to its estimate of taxable income.

(j) Shareholders' equity

Shareholders' equity represents the equity in the Company owned by the holders of the 7,582,329 non-redeemable Class C common shares outstanding as at September 30, 2022 (December 31, 2021 - 7,616,529). The decrease of 34,200 Class C Common Shares during the nine months ended September 30, 2022 is the result of the shares repurchased under the NCIB described in the "Recent Developments" section of this MD&A.

Cash Flows

During the nine months ended September 30, 2022, Pender's cash balance decreased by $3,641,029, primarily due to cash deployed to purchase investments, payment of operating expenses and income tax instalments, and the cost of share repurchases under the NCIB described in the "Recent Developments" section of this MD&A.

Shareholder Activity

During the nine months ended September 30, 2022, the Company repurchased 34,200 shares under the NCIB described in the "Recent Developments" section of this MD&A, reducing the outstanding shares from 7,616,529 at the prior year end to 7,582,329 as at September 30, 2022.

More information about the formation and history of the Company is available in its Annual Information Form dated May 25, 2022.

SUMMARY OF QUARTERLY RESULTS

The tables below show information about Pender's financial performance for the most recently completed eight quarters. In each quarter, the net income or loss is a result of realized and unrealized gains and losses on investments, dividend, interest and securities lending income, and operating expenses. A comparison of the information presented from quarter to quarter does not necessarily indicate any meaningful pattern or correlation.

	2022 Q3	2022 Q2	2022 Q1	2021 Q4
Net realized gain (loss)	$ 2,453,227	$ (3,021,127)	$ (3,797,801)	$ 36,241,413
Net change in net unrealized (depreciation) appreciation	(9,113,619)	(62,414,222)	(53,825,471)	20,038,238
Foreign exchange gain (loss)	11	4,761	(13,580)	46,029
Interest and securities lending income	5,286	750	3,642	109,217
Total revenue	(6,655,095)	(65,429,838)	(57,633,210)	56,434,897
Management fees	195,014	212,661	240,065	173,086
Withholding taxes, GST/HST and transaction costs	635	4,434	11,077	24,025
Other expenses	305,135	206,510	538,285	294,265
Total expenses	500,784	423,605	789,427	491,376
Net (loss) income before other items	(7,155,879)	(65,853,443)	(58,422,637)	55,943,521
Other items:				
Performance fees	3,924,710	(14,623,714)	(12,004,349)	16,642,497
Performance fees waived by the Manager	(981,178)	3,655,928	3,001,088	(4,160,624)
Net amount	2,943,532	(10,967,786)	(9,003,261)	12,481,873
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	(294,045)	13,270,570	10,957,911	(12,557,181)
Total performance fee adjustment	2,649,487	2,302,784	1,954,648	(75,308)
Contingent payment	-	-	-	(21,136,513)
Net (loss) income before income taxes (recovery)	(9,805,366)	(68,156,227)	(60,377,285)	77,155,342
Income taxes (recovery)				
Current	(1,792,043)	(40,539)	-	3,031,126
Deferred	506,798	(9,594,231)	(8,555,580)	7,356,120
Total income taxes (recovery)	(1,285,245)	(9,634,770)	(8,555,580)	10,387,246
Net (loss) income	**$ (8,520,121)**	**$ (58,521,457)**	**$ (51,821,705)**	**$ 66,768,096**
Net Assets per Share (beginning of period)	$ 11.58	$ 19.29	$ 26.08	$ 17.31
Net Assets per Share (end of period)	$ 10.46	$ 11.58	$ 19.29	$ 26.08

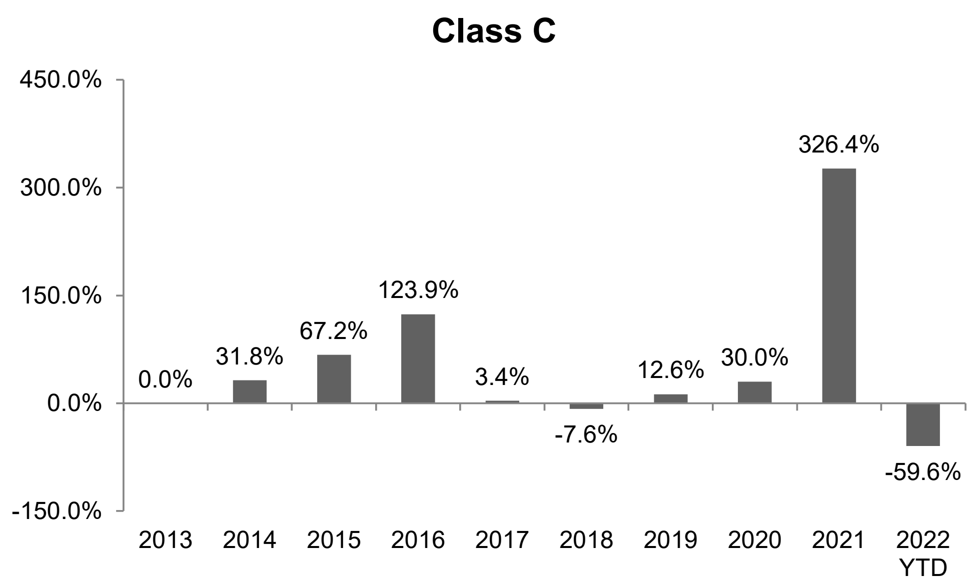
SUMMARY OF QUARTERLY RESULTS (CONTINUED)

	2021 Q3	2021 Q2	2021 Q1	2020 Q4
Net realized gain	$ 11,759,663	$ 1,908,681	$ 2,589,981	$ 2,968,126
Net change in net unrealized (loss) gain	76,193,222	21,584,389	(1,909,226)	5,223,971
Foreign exchange gain (loss)	-	-	-	(41,740)
Dividend, interest and securities lending income	41,373	89,113	95,526	1,475,828
Total revenue	87,994,258	23,582,183	776,281	9,626,185
Management fees	312,570	241,069	261,235	231,772
Withholding taxes, GST/HST and transaction costs	104,523	278,726	255,376	125,038
Other expenses	301,745	270,696	122,270	105,371
Total expenses	718,838	790,491	638,881	462,181
Net income before other items	87,275,420	22,791,692	137,400	9,164,004
Other items:				
Performance fees	18,774,287	1,574,504	-	1,211,315
Performance fees waived by the Manager	(4,693,572)	(393,626)	-	(302,829)
Net amount	14,080,715	1,180,878	-	908,486
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	(23,679,545)	-	-	-
Total performance fee adjustment/expense	(9,598,830)	1,180,878	-	908,486
Contingent payment	9,377,925	11,758,588	-	-
Net income before income taxes	87,496,325	9,852,226	137,400	8,255,518
Income tax expenses	12,157,275	-	-	-
Net income	**$ 75,339,050**	**$ 9,852,226**	**$ 137,400**	**$ 8,255,518**
Net Assets per Share (beginning of period)	$ 7.42	$ 6.13	$ 6.11	$ 5.03
Net Assets per Share (end of period)	$ 17.31	$ 7.42	$ 6.13	$ 6.11

PAST PERFORMANCE

To illustrate how the Company's performance has varied over time, the following bar chart shows performance for the nine months ended September 30, 2022 and for each of the previous years ended December 31. The bar charts show, in percentage terms, how much an investment made at the beginning of the period would have grown or decreased by the end of the period based on shareholders' equity. The past performance of the Company does not necessarily indicate how it will perform in the future.

Past performance for Class C Shares of the Company is calculated based on its shareholders' equity and is not based on its market price on the TSXV. It should also be noted that total shareholders' equity which is calculated under IFRS for financial reporting purposes may be different from the Reporting NAV described in the Recent Developments section of this MD&A. In addition, the information presented does not take into account sales, redemptions, distributions, income taxes payable or other charges that would have reduced returns or performance. Finally, the information presented for the years prior to 2018 relates to the period when the Company was subject to the Investment Funds Regime. Commencing December 31, 2018, the Company became subject to the Corporate Issuer Regime.



SUMMARY OF INVESTMENT PORTFOLIO

Pender's largest Portfolio Company holdings as at the end of the period and the major asset classes in which Pender was invested are indicated below. The investment portfolio may change due to ongoing portfolio transactions. Please also refer to the "Schedule of Investment Portfolio" in the Financial Statements.

Summary of Top 25 Holdings

	% OF NET ASSETS
Private unlisted companies*	74.1
D-Wave Quantum Inc.	2.7
Sangoma Technologies Corporation	2.6
Zillow Group, Inc.	2.0
Copperleaf Technologies Inc.[1]	1.8
GreenSpace Brands Inc.	1.8
ProntoForms Corporation	1.7
Quorum Information Technologies Inc.	1.6
Peloton Interactive, Inc.	1.2
Inscape Corporation, Class B	0.9
Tantalus Systems Holdings Inc.	0.6
BuildDirect.com Technologies Inc.	0.3

Summary of Composition of the Portfolio

	% OF NET ASSETS
Pender Related Entities	62.2
Health Care	8.0
Information Technology	7.8
Software and Services	3.8
Technology Hardware and Equipment	3.3
Real Estate	2.0
Consumer Staples	1.8
Consumer Discretionary	1.5
Industrials	0.9
TOTAL INVESTMENTS	**91.3**
Cash	8.0
Other assets less liabilities	0.7
TOTAL NET ASSETS	**100.0**

* The value of these companies is disclosed on an aggregate basis due to the nature of private, unlisted companies. Refer to the Financial Statements for more information. The names of these private Portfolio Companies are listed in the table below.

COMMON SHARES/UNITS
Pender Private Investments Inc., Commercialization Shares[2]
Pender Private Investments Inc., Legacy Shares[2]
Pender Private Debt Opportunities Fund I Limited Partnership[2]
Pender Technology Inflection Fund II Limited Partnership[2]

PREFERRED SHARES
Checkfront, Inc., Series A-2
Clarius Mobile Health Corp., Series A1
Clarius Mobile Health Corp., Series A2
Evidence Partners Incorporated
Jane Software Inc.

[1] Copperleaf is the Company's largest single public company holding, representing 58.6% of the total portfolio, including both its direct holdings and its indirect holdings investment through its investment in Pender Private Investments Inc.

[2] Looking through to the underlying holdings of PPI, PPDF and PTIF II, Pender's exposure to private companies is 13.8% of its holdings.

DIVIDEND POLICY

The Company does not currently intend to pay regular dividends or other distributions but may do so if, as and when determined by the Board of Directors.

OUTSTANDING SHARE DATA

As at September 30, 2022 the Company had 7,582,329 Class C Shares outstanding.

TRANSACTIONS BETWEEN RELATED PARTIES

As at September 30, 2022, the Manager and directors and officers of the Company held 10% of the Company's Class C Shares, directly and/or indirectly. The aggregate investment by the Company's directors and officers in Portfolio Companies did not exceed 1.0% of any Portfolio Company's issued and outstanding shares.

Pender pays management fees and performance fees to the Manager for management and portfolio advisory services.

Effective May 2019, the management fee paid to the Manager was reduced to 2.50% on the first $15,000,000 of the value of Net Assets and 1.75% on the value of Net Assets above $15 million. The management fee is calculated and paid monthly. Subsequent to the WOF Transaction, Net Assets used in the management fee calculation excluded the value of the Company's investment in PPI. The management fee expense is $647,740 for the nine months ended September 30, 2022.

Pender also pays the Manager a performance fee in certain circumstances, based on achieving certain performance criteria. The performance fee is calculated as 20% of any net increase in the value of Pender's shareholders' equity above an annual hurdle rate of 6%. The performance fee is calculated on an annual basis and is subject to a high water mark, being the year-end value of Net Assets per Share for the most recent preceding year in which a performance fee was earned. Subject to the accumulation of the hurdle rate in years in which no performance fee is payable, the high water mark will not be reset other than to be adjusted in the event of a subdivision or consolidation of the shares.

Performance fees are accrued during the year, and the total performance fee, if any, calculated on the last Valuation Date of the year is payable upon the publication of the Company's annual audited financial statements.

In 2021, the Manager, in its sole discretion, waived a portion of the performance fee it charged, reducing it from 20% down to 15%. As at September 30, 2022 performance fees accrued were $Nil (December 31, 2021 – $27,743,466).

Of the net 2021 performance fee accrual of $27,743,466 as at December 31, 2021, $22,514,596 related to performance fees calculated upon the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf ("2021 Unrealized Performance Fee") and $5,228,870 related to performance fees calculated upon net realized gains and this amount was paid to the Manager in April 2022. The Manager, in its sole discretion, decided that the 2021 Unrealized Performance Fee would not be paid upon the publication of the Company's audited annual financial statements. Instead, this portion of the performance fee would be recalculated and paid quarterly, based on the total of (1) the realized gain on the Company's direct holdings of Copperleaf and (2) the realized gain on the Company's indirect holdings of Copperleaf, in excess of 20% of the Company at such time. After the Copperleaf holdings in excess of a

20% weighting are sold, the performance fee on the unrealized appreciation on the Company's remaining holdings of Copperleaf will be paid. The high water mark will be recalculated accordingly. As at September 30, 2022, the portion of the net performance fee accrual related to performance fees calculated upon net realized gains on those Copperleaf shares is $281,417 and the portion of the net performance fee accrual that resulted from the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf was $5,205,664, total performance fee payable is $5,487,081.

During the nine months ended September 30, 2022, due to a change in the unrealized appreciation of Copperleaf, the Company recorded a net reversal of previously accrued performance fees of $17,027,515 (September 30, 2021 - Nil). The changes to the December 31, 2021 performance fee accrual are summarized in the table below:

2021 performance fee accrual

For the nine months ended September 30, 2022	Balance, beginning of period	Change in unrealized appreciation	Realized gain on shares sold	Balance, end of period
Performance fees	36,991,288	(23,078,576)	375,223	14,287,935
Fees waived by the Manager	(9,247,822)	5,769,644	(93,806)	(3,571,984)
Net amount	27,743,466	(17,308,932)	281,417	10,715,951

The Company currently holds 98% of PPI as described in the "Recent Developments" section of this MD&A. The Company's Manager is also the manager of PPI and earns a PPI Performance Fee in certain circumstances. As described in part (f) in the preceding "Financial performance for the three months ended September 30, 2022" section of this MD&A, the The Manager has agreed to pay the Company 98% of the PPI Performance Fee. Accordingly, as at September 30, 2022, the Company has accrued a receivable from the Manager of $9,315,272 (December 31, 2021 - $34,150,813).

The Manager recovers from the Company certain operating expenses incurred by it on behalf of the Company.

On January 1, 2022, the Company became the sole limited partner of PPDF, a limited partnership that is a related party by virtue of being managed by a wholly owned subsidiary of the Manager.

On May 23, 2022, the Company became a limited partner of PTIF II, a related party. PTIF II is managed by the Manager.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2022, the Company was in a stable liquidity position, with cash of $6,367,829 comprising 8.0% of the value of its Net Assets, and investments in publicly traded securities of $13,665,625 or 17.2% of the value of its Net Assets.

Should the future composition of its portfolio be weighted significantly more toward investments that could not readily be sold, the Company would need to secure credit facilities or issue securities to help meet its liquidity needs. There is no immediate need to rely on these liquidity sources.

COMMITMENTS AND CONTINGENCIES

Pender may become liable for commitments and contingencies relating to litigation or claims in the normal course of business as a result of investing. The Manager is not aware of any commitments or contingencies, or any current or planned litigation or claims against it.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised.

The Company may hold financial instruments that are not quoted in an active market, including derivatives. Currently, the Company holds common and preferred shares as well as convertible debt issued by its private Portfolio Companies. Details of these holdings are set forth in the ”Summary of Investment Portfolio” section of this MD&A.

The determination of the fair value of these investments is the area with the Manager’s most significant accounting judgements and estimates in preparing these financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next reporting period is included in the Notes to the Financial Statements and relates to the determination of fair value of investments with significant unobservable inputs.

The Company uses widely recognized valuation models for determining the fair value of relatively simple financial instruments which are publicly traded, such as debt and equity securities, mutual fund units and warrants that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple OTC derivatives such as forward foreign currency contacts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Company uses recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and may be derived from market prices or rates or may be estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value.

In determining fair value for instruments for which there is no public market available, the Manager considers: the history and nature of the business; operating results and financial conditions; general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; comparable company trading and transaction multiples, where applicable; and other pertinent considerations. Adjustments to the carrying value of the investments may also be determined by the Manager when there is pervasive and objective evidence of a change in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and/or other developments since acquisition.

Significant unobservable inputs are developed as follows:

(i) Enterprise value:

Enterprise Value represents the amount that market participants would pay when purchasing the Portfolio Company. The Manager determines this value based on comparable arm's length transactions in shares of the applicable comparable entity, on revenue multiples or other valuation methods as appropriate.

(ii) Revenue multiple:

Revenue multiples are selected from comparable public companies based on geographic location, industry, size, target markets, and other factors that the Manager considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the Portfolio Company by its revenue and may be further discounted for considerations, such as the lack of marketability and other differences between the comparable peer group and the specific Portfolio Company.

CHANGES IN ACCOUNTING POLICIES

The Company has determined there were no changes in accounting policy for the nine months ended September 30, 2022.

FUTURE CHANGES IN ACCOUNTING POLICIES

The Company has determined there are no IFRS standards that are issued but not yet effective that could materially impact the Company's financial statements.

PENDER

MANAGED BY:
PENDERFUND CAPITAL MANAGEMENT LTD.

1830 –1066 West Hastings St.
Vancouver BC V6E 3X2

TELEPHONE 604 688-1511
FACSIMILE 604 563-3199
TOLL FREE 1 866 377-4743

www.penderfund.com