MANAGEMENT'S DISCUSSION & ANALYSIS

PENDER GROWTH FUND INC.

Three months and nine months ended September 30, 2023

PENDER

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated November 22, 2023 presents a review of the unaudited financial results for Pender Growth Fund Inc. ("Pender" or the "Company" or "PTF") for the three months and nine months ended September 30, 2023 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, 2023 (the "Condensed Interim Financial Statements") and Pender's audited financial statements and the notes thereto for the year ended December 31, 2022 (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.sedarplus.ca.

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 external factors including 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, changes in those measures as inflation slows and general market expectations for an earnings recession; the future impact of geopolitical events, global health pandemics and other global events; concentration of the investment portfolio, future economic and market conditions, including mergers and acquisitions ("M&A") and initial public offering ("IPO") market conditions, future orderly 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; achieving returns for shareholders; 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, including early-stage companies, industry concentration and the high proportion of companies from this sector in the portfolio; the risk inherent in small companies, startups, resource companies and companies in emerging sectors; the risks inherent in a concentrated portfolio, including the risk of having the portfolio value concentrated in one particular issuer, the risk inherent in large holdings relative to the size of the market for those holdings; the ability to dispose of investments in public or private Portfolio Companies rapidly or at favourable prices; and the risk inherent in investing in a fund with a lock up period that may be as long as 10 years and for which a failure to make a capital call could result in the forfeiture of the entire investment; the risk of the use of leverage; 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, measures taken by central banks, increased interest rates, bank failures, 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. Common and preferred equities will make up the majority of Pender's investments, (whether direct investments or indirect investments through investment entities or limited partnership funds). The Company may also 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, 2023 and December 31, 2022 is presented in the following table:

Net Assets	September 30, 2023	December 31, 2022
Assets	$ 70,932,900	$ 76,464,010
LESS: Liabilities	4,360,026	6,224,755
EQUALS Net Assets	$ 66,572,874	$ 70,239,255

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 Company reports net asset value ("NAV") per share monthly. The calculation of Net Assets per Share, as at September 30, 2023 and December 31, 2022 is presented in the following table:

Net Assets per Share	September 30, 2023	December 31, 2022
Assets	$ 70,932,900	$ 76,464,010
LESS: Liabilities	4,360,026	6,224,755
EQUALS Net Assets	$ 66,572,874	$ 70,239,255
DIVIDED BY Number of Shares Outstanding	7,524,629	7,569,929
EQUALS Net Assets per Share	$ 8.85	$ 9.28

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 and/or 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.

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

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

During the third quarter, overall market sentiment was more challenging, with equities and risk assets broadly lower over the period. With the peak in inflation nearing or behind us and central banks slowing and, in some cases, pausing, their interest rate raising campaigns, the focus has turned to apprehension about future economic growth and the lag effect of tighter financial monetary conditions brought about by higher interest rates. We think this will remain in focus with concern from investors that tighter financial conditions will impact spending habits and that a recession is on the horizon.

Future developments could impact the Company’s results and the full extent of the impact of evolving financial conditions remains unknown. Developing reliable estimates and applying judgment continue to be key to our process to understand the impact of a wide range of economic scenarios on our portfolio companies in periods of elevated uncertainty. Actual results may differ from those estimates and assumptions.

The Company will continue to support its Portfolio Companies, monitor the impacts of global events and reflect the consequences as appropriate in its accounting and reporting.

Investments

The Company’s portfolio is materially concentrated in the shares of one publicly listed Portfolio Company, Copperleaf Technologies Inc. (“Copperleaf”). As at September 30, 2023, considering both its direct investment and its indirect investment through its holding of shares of Pender Private Investments Inc. (“PPI”), the Company held 6,889,883 shares of Copperleaf with a value of $38,927,839, which was 58.5% of the Company’s total shareholders’ equity of $66,572,874 (December 31, 2022 – 6,762,065 shares with a value of $38,814,252 which was 55.3% of the Company’s total shareholders’ equity). During the nine months ended September 30, 2023, the closing price of Copperleaf was $5.65, down $0.09 per share from its December 31, 2022 closing price of $5.74 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.

As at September 30, 2023, approximately 14.1% 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 PPI, public companies make up 68.8% 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. As at September 30, 2023, private companies comprised 85.9% of Pender's investment portfolio. This includes Pender's investment in PPI and Pender Technology Inflection Fund II Limited Partnership ("PTIF II"), private entities that hold public and/or private company securities. Looking through the underlying holdings of PPI and PTIF II, Pender's exposure to private companies is 31.2% 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.

Further, Pender's investment in PTIF II has a minimum ten year term that, with the consent of the LP Advisory Committee, may be extended by up to two additional one-year periods. In the event that the Company does not provide the amount required to be contributed under a capital call, becomes a defaulting partner, and fails to remedy the default within 20 business days, it could forfeit its entire investment in PTIF II.

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 and other factors, and what capital is available may be on terms unfavourable to the existing shareholders of these companies.

During the quarter, the Company fully repaid its three-year credit facility with a Canadian chartered bank, dated May 28, 2021, which had been secured against the Company's interest in the investments held by its investee, PPI (the "Term Loan"). As at September 30, 2023, the balance owing under the Term Loan was $Nil. See additional information in the "Financial Condition" section of this MD&A.

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**.**

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. Indirect investments in public and private securities are inherently subject to the risks and uncertainties described above for direct holdings.

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"), an entity with an investment portfolio comprised of public and private companies, and WOF was renamed Pender Private Investments Inc. ("PPI"). As the result of various transactions further described in the "Pender Private Investments Inc. and the WOF Transaction" in the "Pender Private Investments" section under "Portfolio of Investments" of this MD&A, as at September 30, 2023 the Company's ownership of PPI reached 100% and PPI represented 67.2% of the Company's aggregate investment portfolio.

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 26, 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 market backdrop was mixed in the third quarter, with equity markets broadly lower over the period. The S&P/TSX Composite Index declined by 3.1% and the S&P 500 shed 3.7%, while small caps also declined by 1.5% in Canada as measured by the S&P/TSX Small Cap Index and by 5.4% in the US as measured by the S&P 600 Index.

Performance in Canadian equities was driven by gains in the Energy sector, with Energy-related companies supported by oil prices rising 29% through the quarter and closing above $90 per barrel at the end of September. These rising crude prices also contributed to a recalibration of inflation expectations and comments from US Federal Reserve officials indicating higher for longer interest rates in the face of declining, but still elevated inflation rates. The bond market digested these shifting expectations as the US

10 year Treasury yield rose 73 bps during the quarter to close at 4.57% at the end of the quarter, the highest level since 2007.

With elevated inflation and higher interest rates continuing to be top of mind for investors, the outlook for economic growth going forward remained cloudy.

Canadian venture capital ("VC") investment activity[1] during the second quarter of 2023 saw $2.8 billion invested across 170 deals, as activity rebounded in the quarter to make H1 2023 the third highest first half on record in both deal count and total deal value, just behind 2021 and 2022. In terms of deal count, second quarter activity rose modestly quarter-over-quarter, while the dollar value invested rose sharply by 140%. This is in contrast to US data which has shown a consistent decline in private market activity levels since Q1 2022, resulting in Q2 2023 having the lowest quarterly investment amount since Q1 2020. Companies continue to adjust to the evolving macroeconomic environment, which included higher interest rates and elevated inflation, as well as the public market slowdown. Exit activity remained subdued in the quarter due to the ongoing market uncertainties that impacted exit multiples.

During the quarter, we continued to work closely with our private Portfolio Companies with the aim of helping them grow and compound their intrinsic 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.

Normal Course Issuer Bid

On February 14, 2023, the Company renewed its NCIB on the TSXV. Upon renewal, the Company had 7,568,921 shares issued, of which 6,630,459 shares represented its public float. The Company is entitled to purchase up to a maximum of 663,045 shares, representing 10% of its public float, over the one-year period of this NCIB. The NCIB will continue until February 13, 2024, unless terminated earlier in accordance with its terms. The Company intends to continue to repurchase its shares under the NCIB where the shares are trading at a price that is less than what we see as their intrinsic value, in order to enhance shareholder value.

Outlook

With peak inflation likely behind us and central banks slowing and in some cases pausing their interest rate raising campaigns, the focus has turned to concerns about future economic growth and the lag effect of tighter monetary conditions brought about by higher interest rates. We think this will remain in focus with concern from investors that tighter financial conditions will impact spending habits and that a recession is on the horizon. We will continue to monitor these macro events and assess their impacts on the Company and our Portfolio Companies to help ensure the businesses we own have the durability and balance sheet strength to withstand a challenging economic environment.

For VC activity, we expect a continuation of weak 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. The sluggish IPO market is an indication of this trend, as buyers and sellers are still somewhat disconnected on company pricing. We believe that this will resolve itself eventually, but not without some additional time for these transaction multiples to find a new equilibrium.

We have evaluated the potential impact of current global events on each of our Portfolio Companies as part of an ongoing review within our investment process. As part of this analysis, we evaluate each private Portfolio Company under various fundamental scenarios to better understand the key drivers of business

[1] Canadian Venture Capital & Private Equity Association: Q2 2023 Canadian Venture Capital Market Overview

value creation and their sensitivities in different market environments. We will remain diligent as more information continues to become available and 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 grow their intrinsic value, while seeking an orderly realization of that 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 to take advantage of short-term “close-the-discount” opportunities where it makes sense to do so.

During the nine months ended September 30, 2023, we added two new public securities to the portfolio, Pinetree Capital Ltd., and Tiny Ltd. In April, a private holding, Tiny Capital Ltd., merged with WeCommerce Holdings Ltd. and became publicly traded as Tiny Ltd.. We also added securities of two existing publicly listed holdings, ProntoForms Corporation and Tantalus Systems Holding Inc. and bought convertible debentures of two private Portfolio Companies in March and July 2023. The debenture we bought in March 2023 was converted to preferred shares upon a merger transaction in June 2023. In August, the Company purchased the remaining 2% of PPI Legacy shares as described in “The PPI Transaction” in the “Pender Private Investments” section below. During the period, the Company divested its holdings of D-Wave Quantum Inc., and partially sold shares of Tiny Ltd. and shares of one private Portfolio Company as result of a merger transaction in June 2023.

As at September 30, 2023, our Portfolio Company holdings represented 103.3% of Net Asset Value, an increase of 8.9% from 94.4% as at December 31, 2022.

Pender’s Net Assets as at September 30, 2023 were comprised of securities of publicly listed companies (14.5%) and private unlisted companies (88.8%), with cash and other assets net of liabilities making up the remainder (-3.3%). Looking through the underlying holdings of PPI and PTIF II, two private investees which themselves hold securities of public and/or private companies, the makeup of the portfolio at September 30, 2023 was 68.8% publicly listed company securities and 31.2% private company securities.

The table below presents the fair value of investments as at September 30, 2023 and December 31, 2022.

Investments	September 30, 2023	December 31, 2022
Total Investments	$ 72,563,542	$ 71,443,724
LESS: Deferred gain	3,782,289	5,144,185
Net investments	$ 68,781,253	$ 66,299,539

During the nine months ended September 30, 2023, the Company recognized $1,361,896 of the deferred gain and as a result, the balance of the deferred gain was $3,782,289 at the end of the period.

The significant trends and events for Pender’s Portfolio Companies during the nine months ended September 30, 2023, 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 in Copperleaf, considering its direct and indirect holdings. 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 mainly in the technology sector. The Company acquired shares of PPI during May 2021 as further described under "Pender Private Investments Inc. and the WOF Transaction" below. As at September 30, 2023, the Company held 100% of the outstanding Legacy Shares of PPI as well as 100% of its outstanding Commercialization Shares.

Pender Private Investments Inc. and the WOF Transaction

On the Effective Date of May 28, 2021, the Company completed the WOF Transaction with the Working Opportunities Fund (EVCC) Ltd., an investment entity, for the acquisition of WOF's issued and outstanding shares pursuant to the April 7, 2021 definitive agreement (the "Arrangement Agreement of the WOF Transaction"), under a plan of arrangement.

On May 28, 2021, the Company acquired 100% of WOF's Commercialization Series shares for a total cash purchase price of $508,096 which was paid in full on closing and 97% of WOF's Venture Series shares for a total cash purchase price of $25,316,232, 50% of which was paid on closing and 50% of which was paid on November 25, 2021.

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 is 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.

Pender Private Investments Inc. Share Transactions

The Legacy Shares' rights and restrictions provide for them to be redeemed by PPI on a pro-rata basis at NAV upon divestments of portfolio investments. Accordingly, in October 2021, PPI redeemed approximately 58.5% of all Legacy Shares at a redemption price of approximately $6.47 per share. The Company received a total of $63,197,947 for the 9,767,089 of its Legacy Shares that were redeemed. This redemption triggered a requirement for the Company to pay additional cash of $21,136,513, or $1.2661 per share, to the Exiting Shareholders, all of whom had been issued Exit Venture Shares for this purpose, 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, 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.

In June 2022, the company purchased an additional 10,440 ineligible Legacy Shares for a total payment of $59,297, bringing the Company's ownership of PPI to 98%.

[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.

In August 2022, PPI redeemed approximately 7.0% of the outstanding Legacy Shares on a pro-rata basis at a redemption price of approximately $8.26 per share. The Company received a total of $4,033,749 for the 488,507 of its Legacy Shares that were redeemed.

In April 2023, PPI redeemed approximately 2.4% of the outstanding Legacy Shares on a pro-rata basis at a redemption price of approximately $6.39 per share. The Company received a total of $1,003,457 for the 157,122 of its Legacy Shares that were redeemed. In August 2023, the Company purchased the remaining 2% of PPI's Legacy shares held by minority shareholders as described under "The PPI Transaction" below, such that, at September 30. 2023, the Company held 100% of the outstanding Legacy Shares, or 6,418,842 Legacy Shares.

The PPI Transaction

On May 24, 2023, PTF and PPI entered into a non-binding letter of intent for a transaction (the "PPI Transaction") pursuant to which PTF would acquire all of the Legacy Shares of PPI held by the 2% minority shareholders (the "Minority Shareholders"). On June 21, 2023, PTF and PPI entered into an arrangement agreement ("PPI Arrangement Agreement") which provided that the PPI Transaction would be completed pursuant to a statutory plan of arrangement under the Business Corporations Act (British Columbia). The PPI Arrangement Agreement provided that PTF would acquire the minority Legacy Shares at a cash purchase price of $6.82 per Legacy Share (subject to adjustment), equal to 100% of the NAV of PPI's portfolio six business days prior to the signing of the Arrangement Agreement. The terms further provided that the NAV would be re-calculated five business days prior to the closing of the PPI Transaction with the purchase price subject to a maximum 5% adjustment based on that calculation, such that the minimum purchase price would be $6.48 and the maximum purchase price would be $7.16.

The board of directors of PPI formed a special committee to consider and evaluate the terms of the PPI Transaction. After receipt of an independent fairness option, the special committee determined that the PPI Transaction was fair from a financial point of view to the Minority Shareholders.

On August 9, 2023, the PPI Transaction was approved by a special resolution passed by two-thirds of the votes cast by Minority Shareholders present in person or represented by proxy, at a special meeting of the Minority Shareholders that was called to consider the PPI Transaction. The Net Asset Value of PPI's portfolio was recalculated on August 10, 2023 under the terms of the agreement. On August 15, 2023, the PPI Transaction was approved by the British Columbia Supreme Court and the Company acquired the remaining 2% of PPI's Legacy shares for $6.94 per share for a total cash purchase price of $855,490 with an effective date of August 17, 2023.

Pender Private Investments Inc.

Selected Financial Information	September 30, 2023	December 31, 2022
Total assets	$ 50,423,142	$ 55,065,083
Total liabilities	410,806	8,362,467
Total shareholder' equity	50,012,336	46,702,616

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Total revenue	$ (3,584,641)	$ (122,759,439)
Net income (loss)	4,332,819	(98,261,573)

The PPI portfolio includes an investment in an entity that is also held directly by the Company, Copperleaf Technologies Inc., further described below.

Copperleaf Technologies Inc.

Copperleaf provides decision analytics to companies managing critical infrastructure. The company's 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 fourth quarter of 2023, the company announced its Q3 operating results, reporting 26% growth in annual recurring revenue in the quarter, complimented by subscription revenue growth of 30% year-over-year. The company ended the quarter with a record backlog of $114.2 million, up 23%. They continued to execute on their growth strategy, expanding by geography and industry vertical with the addition of one of the largest gas distribution companies in the U.S. as well as signing one of Brazil's largest integrated power utilities. The company continues to maintain a strong balance sheet, finishing the quarter with cash and short-term investments of $108 million (December 31, 2022 - $149 million), and we believe the shares are significantly undervalued.

As at September 30, 2023, the Company held 9.4% of Copperleaf's issued and outstanding shares, directly and through its investment in PPI.

Copperleaf Technologies Inc.
(expressed in thousands of Canadian dollars)

Selected Financial Information	September 30, 2023	December 31, 2022
Total assets	$ 159,942	$ 185,693
Total liabilities	50,782	52,666
Total shareholder' equity	109,160	133,027

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue	$ 58,358	$ 54,214
Gross profit	40,900	40,189
Net loss and comprehensive loss for the year	(29,633)	(25,834)

Please also refer to the "Risk Factors" section of this MD&A.

Private Unlisted Companies

We continue to work with our private Portfolio Companies, with the ongoing aim to help them build their intrinsic value over the long-term and seek an orderly realization of that value to achieve returns for our shareholders.

Checkfront Bookings Inc. (formerly Checkfront, Inc., "Checkfront")

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. The company's platform is used as an operating system by more than 5,000 businesses in over 130 countries, with over $10B in bookings processed to date. During 2023, Checkfront completed a merger with Australian tour and activity booking software company, Rezdy. During Q3, 2023, European tour and activity booking software company Regiondo joined the business combination. The companies expect that combining forces will benefit their growth prospects and strategic position in the global booking software industry.

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 Clarius' 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 has surpassed the three million count to-date for high-definition scans, an indication of the emergence of the point-of-care ultrasound industry. In Q3 2023, Clarius was recognized by Frost & Sullivan as company of the year for the North America ultraportable ultrasound industry.

DistillerSR Inc. (Formerly Evidence Partners Inc.)

DistillerSR Inc. ("DistillerSR") provides a workflow software solution to automate the data collection, screening and review process for organizations seeking regulatory approvals for healthcare products. DistillerSR has a diversified, global, blue-chip customer base that includes more than 300 medical device and pharmaceutical companies, contract research organizations, as well as universities, governments, and NGOs. The company's customer base includes 7 of the top 10 pharmaceutical and medical device companies.

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. The company was established in 2002 and is funded by a global syndicate of leading institutional investors, government, and technology pioneers.

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 across more than 60 countries. Jane is profitable, product-led and growing, with a team of over 400 employees.

Traction Complete Technologies Inc.

Traction Complete Technologies Inc. ("Traction Complete") is a developer of a suite of revenue operations solutions to help manage data complexity. Its solutions automate data cleanup, account hierarchies, matching and routing, all of which enhance the native capabilities and functionality of Salesforce. Traction Complete empowers organizations like Asana, Cisco, and DocuSign to simplify, save time, and scale faster.

Traction Rec Technologies Inc.

Traction Rec Technologies Inc. ("Traction Rec") is a recreation management software solution built to create meaningful and engaging connections between non-profit community centres and their members. By listening to customers and gaining a deep understanding of their pain points, Traction Rec has demonstrated value for over 50 community centres across North America, including YMCAs, Jewish Community Centres and Boys and Girls Clubs of America.

Publicly listed Companies

During the quarter ended September 30, 2023, we continued to be patient, fundamental investors with a focus on acquiring ownership stakes in companies below our estimate of intrinsic value. 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, 2023.

The key positive publicly listed contributors to the Company's performance for this quarter were ProntoForms Corporation (TSXV:PFM) and BuildDirect.com Technologies Inc. (TSXV:BILD).

On the flip side, the portfolio saw some of its publicly listed holdings incur losses for the three months ended

September 30, 2023, with Peloton Interactive, Inc. (Nasdaq: PTON) and Quorum Information Technologies Inc. (TSXV: QIS) being some of the key detractors.

Portfolio transactions during the period 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 value 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.

Portfolio Turnover

The Company's portfolio turnover was 0.8% during the three months ended September 30, 2023 (September 30, 2022 – 2.6%) and 5.3% during the nine months ended September 30, 2023 (September 30, 2022 – 12.9%). 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' 17.5% annualized return under IFRS since inception to September 30, 2023.

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 that are unrelated to our Net Assets per Share.

During the nine months ended September 30, 2023, the Company's total shareholders' equity decreased by $3,666,381 (5.2%), from $70,239,255 at December 31, 2022 to $66,572,874 at September 30, 2023. This decrease is mainly due to the negative changes in the PPI portfolio, from valuation adjustments in its private portfolio and negative market price movements in its public portfolio. See further information in the "Financial Performance" section of this MD&A. Other factors contributing to the decline in Net Assets in the period included share repurchases of $317,536 under the NCIB, described in the "Recent Developments" section of this MD&A.

During the three months ended September 30, 2023, Net Assets per Share ranged from $9.50 to $8.85, while our closing price per share on the TSXV ranged from a high of $7.25 per share to a low of $6.21, prices representing a discount to Net Assets per Share ranging from 34.61% to 18.46%.

During the nine months ended September 30, 2023, Net Assets per Share ranged from $9.50 to $8.83, while our closing price per share on the TSXV ranged from a high of $8.49 per share to a low of $6.21, prices representing a discount to Net Assets per Share ranging from 34.61% to 8.35%.

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, 2023 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, 2023, compared to September 30, 2022, and for the three preceding financial years, as well as its financial performance in the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. This section should be read together with the Condensed Interim Financial Statements and the Annual Audited Financial Statements.

Supplemental Data

	2023 Q3	2022 Q3	2022	2021	2020
Net Assets ($000s)	66,573	79,305	70,239	198,644	47,254
Non-Redeemable Class C Shares Outstanding	7,524,629	7,582,329	7,569,929	7,616,529	7,740,129
Net Assets per Share ($)	8.85	10.46	9.28	26.08	6.11
Closing Market Price* ($)	7.05	8.22	5.65	18.00	4.35
Total (decrease) increase from Operations per Share ($)	(0.44)	(15.65)	(16.85)	19.90	1.84

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

Financial Performance

	2023 Q3 (3 months)	2022 Q3 (3 months)	2023 Q3 (9 months)	2022 Q3 (9 months)
Net realized (loss) gain	$ (100,995)	$ 2,453,227	$ (575,733)	$ (4,365,700)
Net change in unrealized gain (loss)	7,060,962	(9,113,619)	4,437,257	(125,353,312)
Foreign exchange gain (loss)	3,839	11	(1,334)	(8,808)
Interest income (reversal)	45,154	5,286	(62,200)	9,677
Total revenue	7,008,960	(6,655,095)	3,797,990	(129,718,143)
Management fees	219,410	195,014	550,206	647,740
Withholding taxes, GST/HST and transactions cost	165,425	635	213,423	16,147
Other expenses	200,833	305,135	725,664	1,049,928
Total operating expenses	585,668	500,784	1,489,293	1,713,815
Net operating income (loss)	6,423,292	(7,155,879)	2,308,697	(131,431,958)
Other items:				
Performance fees	300,661	3,924,710	(49,962)	(22,703,353)
Performance fees waived by the Manager	(75,165)	(981,178)	12,490	5,675,838
Net amount	225,496	2,943,532	(37,472)	(17,027,515)
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	7,203,782	(294,045)	7,231,839	23,934,436
Total performance fee adjustment	7,429,278	2,649,487	7,194,367	6,906,921
Net loss before income taxes (recovery)	(1,005,986)	(9,805,366)	(4,885,670)	(138,338,879)
Income taxes (recovery)				
Current	-	(1,792,043)	-	(1,832,582)
Deferred	(908,983)	506,798	(1,536,825)	(17,643,013)
Total income taxes (recovery)	(908,983)	(1,285,245)	(1,536,825)	(19,475,595)
Net loss	**$ (97,003)**	**$ (8,520,121)**	**$ (3,348,845)**	**$ (118,863,284)**
Management expense ratio	2.45%	2.35%	2.49%	1.90%
Trading expense ratio	0.96%	0.00%	0.42%	0.02%

Financial performance for the three months ended September 30, 2023

Highlights of the Portfolio Companies contributing to Pender's investment performance in the three months ended September 30, 2023 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, 2023, the net realized loss on investments was $100,995 (September 30, 2022 – realized gain $2,453,227), attributable to the partial divestment of Tiny Ltd..

(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 and classified as 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, 2023, the Company's net change in unrealized gains and losses on investments reflected a gain of $7,060,962 (September 30, 2022 – $9,113,619), mainly due to the appreciation of PPI.

This appreciation in the Company's holding of PPI was primarily the result of the streamlining that was done on closing of the PPI Transaction described in the "PPI Transaction" in the "Pender Private Investments Inc." section under "Portfolio of Investments" of this MD&A. Prior to the PPI Transaction, the Manager was entitled to a performance fee under its management agreement with PPI and the Manager had agreed to pay the Company 98% of that performance fee, proportionate to the Company's ownership of PPI, and this performance fee was to be recalculated and paid in the future when the gains were crystallized. Accordingly, the Company had accrued an amount receivable from the Manager for the PPI Performance Fee and PPI had accrued a liability reflecting its obligation to pay this performance fee. After the PPI Transaction, the structure was simplified and PPI reversed its liability to pay the PPI Performance Fee which increased the value of PPI. At the same time, the Company reversed its accrual for the PPI Performance Fee receivable which, in effect, offset the increase in the value of PPI, for a net effect on the Company's net asset value of $Nil. This was offset by a net loss on PPI's underlying portfolio of holdings, primarily due to a negative valuation adjustment in the portfolio.

(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, 2023, the Company had a foreign exchange gain of $3,839 (September 30, 2022 – foreign exchange gain $11). 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 at this time.

(d) Interest income

The Company may earn interest on its investments in debt securities and on its cash balances. The Company earned interest income of $45,154 during the three months ended September 30, 2023 (September 30, 2022 – Interest income $5,286), attributable to bank interest and loan interest from interest-bearing investment.

(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 expenses were $219,410 for the three months ended September 30, 2023, up by $24,396 from the management fee expenses of $195,014 in the three months ended September 30, 2022. The Company's average Net Assets used in the calculation of management fees were higher in the third quarter of 2023, compared to the third quarter of 2022, mainly due to the inclusion of the value of the Company's holding of PPI in the calculation of management fees starting September 2023 subsequent to the closing of the PPI Transaction that resulted in the Company holding 100% of PPI, as described in the "PPI Transaction" in the "Pender Private Investments Inc." section under "Portfolio of Investments" of this MD&A. After the PPI Transaction, the structure was simplified and PPI no longer paid management fees to the Manager. Please see further information about management fee calculation in the "Transactions between related parties" section of this MD&A.

(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. During the three months ended September 30, 2023 and 2022, the Company did not earn performance fees.

(f) (i) 2021 Unrealized Performance Fee

In 2021, the performance fee expense of $27,743,466 comprised $22,514,596 that arose from the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf ("2021 Unrealized Performance Fee") and $5,228,870 that arose from net realized gains and this latter amount was paid to the Manager in April 2022.

The Manager, in its sole discretion, decided that the payment of the 2021 Unrealized Performance Fee would be deferred until the underlying gains were realized, so the fee was not paid upon the publication of the Company's 2021 audited annual financial statements as it otherwise would have been. Instead, the 2021 Unrealized Performance Fee is being recalculated each month and the accrual and expenses are adjusted accordingly. The performance fee, is being paid when triggered, based on (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's net assets. 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 recalculated and paid to the Manager. The high water mark is recalculated accordingly.

During the three months ended September 30, 2023, the Company recorded a change of $225,496 in the 2021 Unrealized Performance Fee (September 30, 2022 –$2,943,532) due to a positive change in unrealized appreciation of PPI upon the completion of the PPI Transaction as described in the "PPI Performance Fee" section that follows.

(f) (ii) PPI Performance Fee

Prior to the PPI Transaction, the Manager earned a performance fee in certain circumstances, by virtue of its management of PPI (the "PPI Performance Fee") and the Manager had agreed to pay the Company 98% of that performance fee, proportionate to the Company's ownership of PPI. This PPI Performance Fee was accrued at PPI but would not be payable until a divestment occurred, at which time the gain applicable to the divestment would be recalculated based on the final Net Divestment Proceeds and paid to the Manager, who would then pay the Company its pro-rata share.

After the PPI Transaction, the structure was simplified and the PPI Performance Fee was cancelled. Accordingly, this quarter, the Company reversed the accrued PPI performance fee receivable from the Manager to $Nil, a decrease of $7,203,782 during the three months ended September 30, 2023 (September 30, 2022 – increased by $294,045). At the same time, PPI reversed its liability to pay the PPI Performance Fee which increased the value of PPI by the same amount, $7,203,782.

(f) (iii) Net impact from Uncrystallized Performance Fee

During the three months ended September 30, 2023, the net impact of the items described in *(f) (i)* and *(f)* *(ii)* above, was a total performance fee adjustment of $7,429,278 (September 30, 2022 – total performance fee adjustment $2,649,487).

As at September 30, 2023, the high water mark was adjusted to $11.28, excluding the impact of the unrealized gains on Copperleaf, which would otherwise have increased the high water mark by $3.19.

(g) Income taxes (recovery)

As at September 30, 2023, current income taxes are nil because taxable income in the quarter is nil. The deferred income tax liability that had been accrued at December 31, 2022 was decreased from $1,536,825 to $Nil. During the three months ended September 30, 2023, deferred income taxes recorded in prior periods were reversed as deferred taxable income was reduced on the elimination of the PPI performance fee as described in under "PPI Performance Fee" above in this section of the MD&A. This resulted in a deferred income tax recovery was $908,983 (September 30, 2022 – deferred income tax expenses $506,798).

As at the end of the 2022 tax year-end, the Company had non-capital losses of $6,243,996 (2021 - $Nil) and capital losses of $14,180,878 (2021 - $Nil) available for carryover, of which non-capital losses of $5,882,132 and all of the capital losses were carried back to the 2021 tax year. During the three months ended September 30, 2023, the Company received an income tax refund for the 2021 tax year. Accordingly, as of September 30, 2023, the Company's income taxes receivable balance was $Nil (December 31, 2022 - $3,502,595). The remaining 2022 non-capital losses of $361,864 are available for carryforward to future years up to a maximum of 20 years.

(h) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total MER Costs by the average Net Assets. This is the MER before performance fee. The MER for the three months ended September 30, 2023 was 2.45%, which was 0.10% higher than the 2.35% MER during the three months ended September 30, 2022, primarily due to the decrease in the average value of Net Assets in the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

(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 year. 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, 2023 was 0.96% (September 30, 2022 – Nil).

Financial performance for the nine months ended September 30, 2023

Highlights of the Portfolio Companies contributing to Pender's investment performance in the nine months ended September 30, 2023 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, 2023, the net realized loss on investments was $575,733 (September 30, 2022 – 4,365,700), attributable to the divestment of D-Wave Quantum Inc., partial divestment of Tiny Ltd., offset by a realized gain on PPI shares redemption due to divestment of indirect holdings of PPI Portfolio Companies.

(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 and classified as 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, 2023, the Company's net change in unrealized gains and losses on investments reflected a gain of $4,437,257 (September 30, 2022 – unrealized losses $125,353,312), mainly due to the increase in the value of PPI.

This appreciation in the Company's holding of PPI was primarily the result of the streamlining that was done on closing of the PPI Transaction described in the "PPI Transaction" in the "Pender Private Investments Inc." section under "Portfolio of Investments" of this MD&A. Prior to the PPI Transaction, the Manager was entitled to a performance fee under its management agreement with PPI and the Manager had agreed to pay the Company 98% of that performance fee, proportionate to the Company's ownership of PPI, and this performance fee was to be recalculated and paid in the future when the gains were crystallized. Accordingly, the Company had accrued an amount receivable from the Manager for the PPI Performance Fee and PPI had accrued a liability reflecting its obligation to pay this performance fee. After the PPI Transaction, the structure was simplified and PPI reversed its liability to pay the PPI Performance Fee which increased the value of PPI. At the same time, the Company reversed its accrual for the PPI Performance Fee receivable which, in effect, offset the increase in the value of PPI, for a net effect on the Company's net asset value of $Nil. This was offset by a net loss on PPI's underlying portfolio of holdings, primarily due to a negative valuation adjustment in the portfolio.

(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, 2023, the Company had a foreign exchange loss of $1,334 (September 30, 2022 – foreign exchange loss $8,808). 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 at this time.

(d) Interest income

The Company may earn interest on its investments in securities and on its cash balances. The Company had a reversal of interest income of $62,200 during the nine months ended September 30, 2023 (September 30, 2022 – Interest income $9,677), attributable to bank interest and loan interest from interest-bearing investments, offset by the write-off of previously accrued loan interest upon impairment of the GreenSpace Brands Inc. loan.

(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 expenses were $550,206 for the nine months ended September 30, 2023, down by $97,534 from the management fee expenses of $647,740 for the nine months ended September 30, 2022. The Company's average Net Assets used in the calculation of management fees were lower in the nine months ended September 30, 2023 due to negative market price movements in its public portfolio, compared to the nine months ended September 30, 2022. Please see further information about the management fee calculation in the "Transaction between related parties" section of this MD&A.

(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. The Company did not earn performance fees for the nine months ended September 30, 2023 and 2022.

(f) (i) 2021 Unrealized Performance Fee

In 2021, the performance fee expense of $27,743,466 comprised $22,514,596 that arose from the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf ("2021 Unrealized Performance Fee") and $5,228,870 that arose from net realized gains and this latter amount was paid to the Manager in April 2022.

The Manager, in its sole discretion, decided that the payment of the 2021 Unrealized Performance Fee would be deferred until the underlying gains were realized, so the fee was not paid upon the publication of the Company's 2021 audited annual financial statements as it otherwise would have been. Instead, the 2021 Unrealized Performance Fee is being recalculated each month and the accrual and expenses are adjusted accordingly. The performance fee, is being paid when triggered, based on (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's net assets. 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 recalculated and paid to the Manager. The high water mark is recalculated accordingly.

During the nine months ended September 30, 2023, due to a reversal of the unrealized appreciation of Copperleaf in 2021 and realized gains on indirect holdings of PPI Portfolio Companies' shares sold (as further described in the *2021 Unrealized Performance Fee* section above the three months ended September 30, 2023), the Company recorded a net reversal of previously accrued performance fees of $140,849. The net change of unrealized loss during the year to September 30, 2023 offset the realized gain on indirect holdings of PPI Portfolio Companies $103,377 and the net impact was $37,472 (September 30, 2022 – $17,027,515).

(f) (ii) PPI Performance Fee

Prior to the PPI Transaction, the Manager earned a performance fee in certain circumstances, by virtue of its management of PPI (the "PPI Performance Fee") and the Manager had agreed to pay the Company 98% of that performance fee, proportionate to the Company's ownership of PPI. This PPI Performance Fee was accrued at PPI but would not be payable until a divestment occurred, at which time the gain applicable to the divestment would be recalculated based on the final Net Divestment Proceeds and paid to the Manager, who would then pay the Company its pro-rata share.

After the PPI Transaction, the structure was simplified and the PPI Performance Fee was cancelled. Accordingly, in the nine months ended September 30, 2023, the Company reversed the accrued PPI performance fee receivable from the Manager to $Nil (December 31, 2022 - $7,480,711). This reflected a net $7,480,711 decrease in this receivable during the nine months ended September 30, 2023, made up of a payment of $248,872 received for performance fees earned by the Manager for PPI's net divestment proceeds received in April 2023 and the reversal of $7,231,839 for the nine months ended September 30, 2023 (September 30, 2022 - $23,934,436). At the same time, PPI reversed its liability to pay the PPI Performance Fee which increased the value of PPI by the same amount.

f) (iii) Net impact from Uncrystallized Performance Fee

During the nine months ended September 30, 2023, the net impact of the above described in (f) (i) and (f) (ii) above, was a total performance fee adjustment of $7,194,367 (September 30, 2022 – total performance fee adjustment $6,906,921).

As at September 30, 2023, the high water mark was adjusted to $11.28, excluding the impact of the unrealized gains on Copperleaf, which would otherwise have increased the high water mark by $3.19.

(g) Income taxes (recovery)

During the nine months ended September 30, 2023, current income taxes are nil because taxable income in the quarter is nil. The deferred income tax liability that had been accrued at December 31, 2022 was decreased from $1,536,825 to $Nil which resulted in a deferred income tax recovery of $1,536,825 (September 30, 2022 –$17,643,013). Deferred income taxes recorded in prior periods were reversed as deferred taxable income was reduced on the elimination of the PPI Performance Fee as described under "PPI Performance Fee" above in this section of the MD&A.

As at the end of the 2022 tax year-end, the Company had non-capital losses of $6,243,996 (2021 - $Nil) and capital losses of $14,180,878 (2021 - $Nil) available for carryover, of which non-capital losses of $5,882,132 and all of the capital losses were carried back to the 2021 tax year. During the nine months ended September 30, 2023, the Company received an income tax refund for the 2021 tax year. Accordingly, as of September 30, 2023, the Company's income taxes receivable balance was Nil. (December 31, 2022 - $3,502,595). The remaining 2022 non-capital losses of $361,864 are available for carryforward to future years up to a maximum of 20 years.

(h) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total MER Costs by the average Net Assets. This is the MER before performance fees. The MER for the nine months ended September 30, 2023 was 2.49%, which was 0.59% higher than the 1.90% MER during the nine months ended September

30, 2022, primarily due to the decrease in the average value of Net Assets in the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

(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 year. 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, 2023 was 0.42% (September 30, 2022 – 0.02%).

Financial Highlights

Net Assets per Share (Note 1)	**2023 Q3 (3 months)**	**2022 Q3 (3 months)**	**2022**	**2021**	**2020**
Net Assets per Share (beginning of period)	$8.85	11.58	26.08	$6.11	$4.19
Increase (Decrease) from operations:					
Total revenue	0.00	0.00	0.04	0.04	0.23
Total (expenses) recovery	(0.94)	(0.24)	1.50	(2.18)	(0.29)
Realized gains (losses)	(0.01)	0.32	(1.79)	6.87	0.88
Unrealized (losses) gains	0.94	(1.20)	(16.60)	15.17	1.02
Total increase (decrease) from operations	(0.01)	(1.12)	(16.85)	19.90	1.84
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	-	-	-	-	-
Net Assets per Share (end of period)	$8.85	10.46	9.28	$26.08	$6.11
Ratios and Supplemental Data					
Total net asset value ($000s)	$66,573	$79,305	$70,239	$198,644	$47,254
Number of shares outstanding	7,524,629	7,582,329	7,569,929	7,616,529	7,740,129
Closing market price	$7.05	$8.22	$5.65	$18.00	$4.35

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, 2023		December 31, 2022
Assets				
Cash	$	2,055,970	$	1,552,667
Divestment proceeds receivable		74,906		1,916,139
Prepaid expenses		12,004		6,770
Interest receivable		8,767		162,932
Income taxes receivable		-		3,502,595
Due from related parties		-		3,023,368
Investments		68,781,253		66,299,539
Total assets		70,932,900		76,464,010
Liabilities				
Share repurchase payable		65,563		13,186
Accounts payable and accrued liabilities		158,809		142,880
Due to related parties		4,135,654		-
Interest payable		-		31,864
Deferred income tax liability		-		1,536,825
Loan payable		-		4,500,000
Total liabilities		4,360,026		6,224,755
Shareholders' equity	$	66,572,874	$	70,239,255

(a) Investments

As at September 30, 2023, Pender's total investments of $72,563,542 were comprised of publicly listed Portfolio Companies valued at $9,677,017 plus unlisted Portfolio Companies valued at $62,886,525, less the deferred gain of $3,782,289 described below and in the "Pender Private Investments Inc. and the WOF Transaction" section of this MD&A.

Looking through the underlying holdings of PPI and PTIF II, two private investees that themselves hold securities of public and/or private companies, the portfolio breakdown is 68.8% publicly listed company securities and 31.2% private company securities.

The total investments balance increased by $2,481,714 from $66,299,539 as at December 31, 2022 to $68,781,253 as at September 30, 2023 mainly due to the increase in unrealized appreciation on PPI upon completion of the PPI Transaction, as described under "Net change in unrealized gains and losses" in the "Financial Performance for the nine months ended September 30, 2023" section of this MD&A.

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 as a result of changes in a factor that market participants would take into account when pricing the investment such as a public listing of shares. For the nine months ended September 30, 2023, the Company recognized $1,361,896 of the deferred gain. Since 2021 to date, $29,016,504 of the original deferred gain has been recognized and taken into income. The remaining deferred gain at September 30, 2023 was $3,782,289 (December 31, 2022 - $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 $2,055,970 cash balance as at September 30, 2023 was $503,303 higher than the $1,552,667 balance at December 31, 2022. This increase in cash was primarily due CRA tax refund received for the carry back of losses to the tax year of 2021, an escrow payment received from a Portfolio Company, and was also the result of a net PTIF II distribution including a return of capital for the Company's pre-close funding and interest, proceeds from partial divestments of private Portfolio Companies, offset by loan repayment, payment of crystallized performance fees, operating expenses, and other uses of working capital as well as share repurchases under the NCIB disclosed in the "Recent Developments" section of this MD&A.

(c) Income taxes receivable

The September 30, 2023 income taxes receivable balance was Nil (December 31, 2022 - $3,502,595). In September, 2023, the Company received an income tax refund related to the carryback losses to the 2021 tax year.

(d) Divestment proceeds receivable

As at September 30, 2023, the divestment proceeds receivable balance was $74,906 (December 31, 2022 – $1,916,139) for escrow proceeds from the partial sale of a private Portfolio Company in June 2023. During the nine months ended September 30, 2023, the Company received the $1,916,139 escrow payment receivable that was accrued at December 31, 2022.

(e) Interest receivable

The September 30, 2023 interest receivable balance was $8,767 (December 31, 2022 – $162,932) relating to an interest-bearing investment.

(f) 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, 2023, this balance increased by $15,929 to $158,809 (December 31, 2022 - $142,880) in the normal course of business.

(g) Due to related parties

As at September 30, 2023, the Company had a balance due to related parties of $4,135,654 (December 31, 2022 – net balance of due from related party $3,023,368), comprising $3,930,855 for the 2021 Unrealized Performance Fees and $204,799 for management fees and operating expenses paid by the Manager on behalf of the Company.

(h) Deferred income tax liability

The Company has a deferred income tax liability of $Nil (December 31, 2022 - $1,536,825) relating to its estimate of future taxable income.

(i) Loan payable

In conjunction with the WOF Transaction described in the “Pender Private Investments Inc. and the WOF Transaction” section of this MD&A, the Company entered into a three-year credit facility agreement with a Canadian chartered bank that allowed it to draw up to $10 million in one or two tranches. 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. Concurrently, the Company drew down an additional $5,000,000 as a second tranche, which bore interest at the rate of Prime + 2% and had a minimum one-year term and a maturity date of May 28, 2024. Starting November 1, 2022, the Company was required to make monthly principal repayments of $250,000. On September 6, 2023, the Company repaid the outstanding principal balance in full and the agreement was terminated. As at September 30, 2023, the balance owing under the Term Loan was $Nil (December 31, 2022 - $4,500,000).

(j) Shareholders’ equity

Shareholders’ equity represents the equity in the Company owned by the holders of the 7,524,629 non-redeemable Class C common shares outstanding as at September 30, 2023 (December 31, 2022 - 7,569,929). The decrease of 45,300 Class C common shares during the nine months ended September 30, 2023 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, 2023, Pender’s cash balance increased by $503,303, primarily due to CRA tax refund received for the carry back of losses to the tax year of 2021, an escrow payment received from a Portfolio Company, a net PTIF II distribution including a return of capital for the Company’s pre-close funding and interest, proceeds from partial divestments of private Portfolio Companies, offset by loan repayments, investment purchases, operating expenses, payment of crystallized performance fees 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, 2023, the Company repurchased 45,300 shares under the NCIB described in the “Recent Developments” section of this MD&A, reducing the number of the Company’s outstanding shares from 7,569,929 at the prior year end to 7,524,629 as at September 30, 2023.

More information about the formation and history of the Company is available in its Annual Information Form dated May 26, 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.

	2023 Q3	2023 Q2	2023 Q1	2022 Q4
Net realized (loss) gain	$ (100,995)	$ 552,658	$ (1,027,396)	$ (9,191,190)
Net change in unrealized gain (loss)	7,060,962	(146,392)	(2,477,313)	(635,766)
Foreign exchange gain (loss)	3,839	(3,424)	(1,749)	6,583
Interest income (reversal)	45,154	32,551	(139,904)	269,271
Total revenue	7,008,960	435,393	(3,646,362)	(9,551,102)
Management fees	219,410	161,398	169,397	166,361
Withholding taxes, GST/HST and transaction costs	165,425	47,426	572	21,603
Other expenses	200,833	288,403	236,426	171,520
Total operating expenses	585,668	497,227	406,395	359,484
Net operating income (loss)	**6,423,292**	**(61,834)**	**(4,052,757)**	**(9,910,586)**
Other items:				
Performance fees	300,661	217,336	(567,958)	(1,649,826)
Performance fees waived by the Manager	(75,165)	(54,334)	141,990	412,457
Net amount	225,496	163,002	(425,968)	(1,237,369)
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	7,203,782	(302,634)	330,692	1,834,561
Total performance fee adjustment	7,429,278	(139,632)	(95,276)	597,192
Net (loss) income before income taxes (recovery)	(1,005,986)	77,798	(3,957,481)	(10,507,778)
Income taxes (recovery)				
Current	-	-	-	(1,198,544)
Deferred	(908,983)	36,581	(664,423)	(333,557)
Total income taxes (recovery)	(908,983)	36,581	(664,423)	(1,532,101)
Net (loss) income	**$ (97,003)**	**$ 41,217**	**$ (3,293,058)**	**$ (8,975,677)**
Net Assets per Share (beginning of period)	$ 8.85	$ 8.85	$ 9.28	$ 10.46
Net Assets per Share (end of period)	$ 8.85	$ 8.85	$ 8.85	$ 9.28

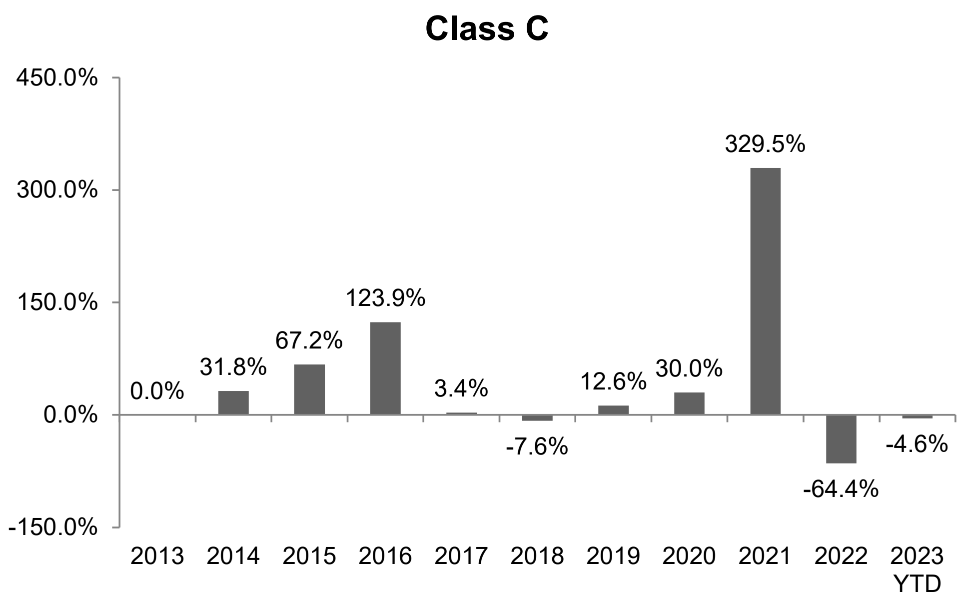
SUMMARY OF QUARTERLY RESULTS (CONTINUED)

	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 unrealized (loss) gain	(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 operating expenses	500,784	423,605	789,427	491,376
Net operating (loss) income	**(7,155,879)**	**(65,853,443)**	**(58,422,637)**	**55,943,521**
Other items:				
Performance fees	3,924,710	(14,623,714)	(14,943,990)	16,642,497
Performance fees waived by the Manager	(981,178)	3,655,928	5,940,727	(4,160,624)
Net amount	2,943,532	(10,967,786)	(9,003,263)	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 tax (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

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, 2023 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. 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 year 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*	88.8
ProntoForms Corporation	2.8
Zillow Group, Inc.	2.6
Sangoma Technologies Corporation	2.1
Copperleaf Technologies Inc.[1] ("Copperleaf")	2.0
Quorum Information Technologies Inc.	1.6
Peloton Interactive, Inc.	1.1
Pinetree Capital Ltd.	0.7
Tiny Ltd.	0.7
Tantalus Systems Holding Inc.	0.6
BuildDirect.com Technologies Inc.	0.3

Summary of Composition of the Portfolio

	% OF NET ASSETS
Pender Related Entities	71.5
Information Technology	11.9
Health Care	9.5
Software and Services	5.1
Real Estate	2.7
Consumer Discretionary	1.3
Financial service	0.7
Technology Hardware and Equipment	0.6
TOTAL INVESTMENTS	**103.3**
Cash	3.1
Other assets less liabilities	(6.4)
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 Technology Inflection Fund II Limited Partnership[2]

PREFERRED SHARES
Checkfront Bookings Inc., Series 2 (formerly Checkfront, Inc.)
Checkfront Bookings Inc., Series 3 (formerly Checkfront, Inc.)
Clarius Mobile Health Corp., Series A1
Clarius Mobile Health Corp., Series A2
DistillerSR Inc. (Formerly Evidence Partners Inc.)
Jane Software Inc.
Traction Complete Technologies Inc.
Traction Rec Technologies Inc.

Convertible Loans:
Clarius Mobile Health Corp.

[1] Copperleaf is the Company's largest single public company holding, representing 56.6% 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 the underlying holdings of PPI and PTIF II, Pender's exposure to private companies was 31.2% 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, 2023 the Company had 7,524,629 Class C Shares outstanding.

TRANSACTIONS BETWEEN RELATED PARTIES

As at September 30, 2023, the Manager and directors and officers of the Company held 11.9% 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.

In accordance with the Third Amended and Restated Management Agreement dated May 1, 2017, as amended March 7, 2019 (the "Management Agreement"), Pender pays management fees and performance fees to the Manager for management and portfolio advisory services. This Management Agreement was in effect until April 30, 2023 and renewed automatically for a further term of four years, until April 30, 2027.

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 $15,000,000. The management fee is calculated and paid monthly. Prior to the PPI Transaction, the management fee calculation excluded the value of the Company's investment in PPI, which is also managed by the Company's Manager, to avoid fee duplication. Subsequent to the PPI Transaction, PPI no longer pays management fees directly to the Manager, therefore the value of the Company's investment in PPI is included in the value of the Net Assets used in calculating the management fee. For the nine months ended September 30, 2023, the management fees incurred by the Company were $550,206 (September 30, 2022 - $647,740).

Performance fees:

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 and the recalculation discussed in section below regarding 2021 performance fees, 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% to 15%. The Company did not earn performance fees for the nine months ended September 30, 2023 and 2022.

Performance fees – 2021:

In 2021, the performance fee expense of $27,743,466 comprised $22,514,596 arising from the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf plus $5,228,870 that arose from 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 it would be recalculated and the accrual and expenses adjusted accordingly and payments would be triggered from time to time as gains were realized. The basis for these payments is described in detail in part (f)(i) of the "Financial performance for the nine months ended September 30, 2023" section of this MD&A.

As at September 30, 2023, the total performance fee payable in this respect was $3,930,855 (December 31, 2022 - $4,249,712), which comprised $103,377 arising from net realized gains on indirect holdings of PPI (December 31, 2022 - $261,774), and $3,827,478 arising from the net unrealized appreciation of the Company's direct and indirect holdings of Copperleaf (December 31, 2022 - $3,987,938). In January 2023, the Company paid the manager $281,385, of which $261,774 was payable at December 31, 2022.

During the nine months ended September 30, 2023, the net performance fee decrease was $318,857. The components of the changes related to the 2021 Unrealized Performance Fee accrual for the nine months ended September 30, 2023 are outlined in the table below:

2021 performance fee

For the nine months ended September 30, 2023	**Balance, beginning of period**	**Impact of Change in unrealized appreciation**	**Realized gain (unpaid)**	**Realized gain (paid)**	**Balance, end of period**
Performance fees	7,409,239	(1,930,755)	137,836	(375,180)	5,241,140
Fees waived by the Manager	(3,159,527)	1,789,906	(34,459)	93,795	(1,310,285)
Net amount	4,249,712	(140,849)	103,377	(281,385)	3,930,855

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

On June 21, 2023, PTF and PPI entered into the Arrangement Agreement for the PPI Transaction pursuant to which PTF acquired all of PPI's Legacy Shares that are held by the 2% minority shareholders on the August 17, 2023 effective date. Please refer to "The PPI Transaction" in the "Pender Private Investments Inc." section under "Portfolio of Investments" of this MD&A for more information.

The Company currently holds 100% of PPI as described in the "Pender Private Investments Inc. Share Transactions" in the "Pender Private Investments Inc." section under "Portfolio of Investments" of this MD&A. The Company's Manager is also the manager of PPI and, prior to the Company's acquisition of the 2% minority interest in PPI, the Manager earned management fees and, in certain circumstances, the PPI Performance Fee. As described in part (f)(ii) in the preceding "Financial performance for the nine months ended September 30, 2023" section of this MD&A, the PPI Performance Fee was discontinued and accordingly, as at September 30, 2023, the Company had reversed the receivable from the Manager and the balance was $Nil (December 31, 2022 - $7,480,711).

On December 16, 2022, the Company signed a subscription agreement with PTIF II, a related party by virtue of being managed by a wholly owned subsidiary of the Manager, which invests in a concentrated portfolio of business-to-business and health-focused technology companies at their inflection point, via Pender Carry II Limited Partnership. The Company's total committed capital for PTIF II is $12,500,000. In 2022, the Company funded $3,957,600 in pre-close rounds. On February 6, 2023, the Company received $3,964,865 as a return of capital for the Company's pre-close funding and interest. As at September 30, 2023, the Company invested $1,409,614 on the capital call, bringing its contribution to 11.28% of its total commitment of $12,500,000 and its unfunded balance to $11,090,386.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2023, the Company is in a stable liquidity position, with cash of $2,055,970 comprising 3.1% of the value of its Net Assets, and investments in publicly traded securities of $9,677,017 or 14.5% 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 that 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, which is prone to changes based on specific events and general conditions in the financial markets, varies depending on the products and 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) 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.

CHANGES IN ACCOUNTING POLICIES

The Company has determined there were no changes in accounting policy for the nine months ended September 30, 2023.

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:
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