

MANAGEMENT'S DISCUSSION & ANALYSIS

PENDER GROWTH FUND INC.

Year ended December 31, 2023

PENDER

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated April 4, 2024 presents a review of the audited financial results for Pender Growth Fund Inc. ("Pender" or the "Company") for the year ended December 31, 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 audited financial statements and the notes thereto for the year ended December 31, 2023 (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"). The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, which is made up of four 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 risk related to the impact of inflation, the impact of central bank measures on the economy, the state of M&A markets, geopolitical 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 risk related to the impact of inflation, the impact of central bank measures on the economy, the state of M&A markets, geopolitical and other global events; 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; 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 ability of the Company to source additional investments; the risk inherent in small companies, startups, resource companies and companies in emerging sectors; 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.

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 Annual Audited Financial Statements in accordance with IFRS Accounting Standards (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 December 31, 2023 and 2022 is presented in the following table:

Net Assets	December 31, 2023	December 31, 2022
Assets	\$ 74,683,833	\$ 76,464,010
LESS: Liabilities	4,797,655	6,224,755
EQUALS Net Assets	\$ 69,886,178	\$ 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 December 31, 2023 and 2022 is presented in the following table:

Net Assets per Share	December 31, 2023	December 31, 2022
Assets	\$ 74,683,833	\$ 76,464,010
LESS: Liabilities	4,797,655	6,224,755
EQUALS Net Assets	\$ 69,886,178	\$ 70,239,255
DIVIDED BY Number of Shares Outstanding	7,368,229	7,569,929
EQUALS Net Assets per Share	\$ 9.48	\$ 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

The nature of the Company’s investing activities exposes it to various risks, including but not limited to inflation and the impact of central bank measures on the economy, the state of M&A markets, geopolitical and other global events, factors that are beyond the Company’s control.

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 December 31, 2023, the Company held 6,889,883 shares of Copperleaf with a value of \$41,614,893, which was 59.5% of the Company’s total shareholders’ equity of \$69,886,178 (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). There can be no assurance that the Company will be able to realize the value of this investment. As at December 31, 2023 the shares of Copperleaf are all held directly by the Company, following the amalgamation with Pender Private Investments Inc. (“PPI”) discussed in “Pender Private Investments Inc” under the “Recent Development” section of this MDA.

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 December 31, 2023, approximately 77.1% of Pender’s portfolio was comprised of investments in public companies. 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 December 31, 2023, private companies comprised 22.9% of Pender's investment portfolio. This includes Pender's investment in Pender Technology Inflection Fund II Limited Partnership ("PTIF II"), a limited partnership that invests in a concentrated portfolio of private business to business and health-focused technology companies at their inflection point. 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 year, 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 December 31, 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.

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 most recent Annual Information Form, 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 positive in the fourth quarter, with equity markets higher in a broad-based rally over the period. The S&P/TSX Composite Index advanced by 8.1% and the S&P 500 gained 9.0%, while small caps also participated with the S&P/TSX Small Cap Index adding 6.1% as a measure of Canadian small caps and the Russell 2000 Index (CAD) gaining 11.2% in the US.

Interest rate policy from the US Federal Reserve was squarely in focus, with commentary signaling the end of their interest rate hiking campaign and later in the quarter cementing the market narrative of an upcoming pivot to interest rate cuts in 2024. This underpinned a rally across virtually all liquid asset classes, highlighted by the Federal Open Market Committee meeting on December 13 that was the best FOMC meeting day for all assets in almost 15 years. With the sharp rally, equity indices pushed higher to fresh 52-week highs and fixed income spreads continued to tighten. The bond market took its cues from the Fed and digested these shifting expectations with the US 10 year Treasury yields settling lower by 71 bps during the quarter to close at 3.88% at the end of the quarter.

Canadian venture capital ("VC") investment activity¹ during the third quarter of 2023 saw \$1.2 billion invested across 134 deals, as activity remained muted in the quarter and well below record levels in 2021. In terms of deal count, third quarter activity fell quarter-over-quarter, following a similar trend in the dollar value invested that declined by about 60% to a level similar to what we saw in the first quarter of 2023. The US data showed a consistent decline in private market activity levels, resulting in Q3 2023 having the lowest quarterly investment amount and deal activity in five years. Companies continue to adjust to the evolving macroeconomic environment, which included higher interest rates and elevated inflation, as well as the public market valuation compression. Exit activity remained subdued in the quarter due to the ongoing market uncertainties that impacted exit multiples. Perhaps an indication of green shoots on the horizon, the Canadian public markets saw its first VC-backed IPO in 18-months. 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.

During the fourth quarter, overall market sentiment turned positive, with equities and risk assets broadly

¹ Canadian Venture Capital & Private Equity Association: Q3 2023 Canadian Venture Capital Market Overview

performing well over the period. With inflation continuing to normalize and central banks signaling that more accommodative monetary policy is expected in 2024, the focus has turned to future economic growth and geopolitical concerns in different regions of the world. We think this will remain in focus with concern from investors that a slowing economy may cause a potential recession.

Pender Private Investments Inc.

On May 28, 2021, the Company completed a transaction (the “WOF Transaction”) to acquire the issued and outstanding shares of the Working Opportunities Fund (EVCC) Ltd. (“WOF”), an investment entity: the Company acquired 100% of WOF’s Commercialization Series shares for a total cash purchase price of \$508,096 and 97% of WOF’s Venture Series shares (“Legacy Shares”) for a total cash purchase price of \$25,316,232 and WOF was renamed Pender Private Investments Inc..

In June 2022, the Company’s ownership increased to 98% of the outstanding Legacy Shares, due to the purchase of Legacy Shares held in ineligible accounts in accordance with the terms of the “WOF” Transaction.

On August 17, 2023 (“Effective Date of the PPI Transaction”), the Company acquired the remaining shares held by PPI’s minority shareholders (the “PPI Transaction”) for a total cash purchase price of \$855,490.

On December 31, 2023, the Company completed an amalgamation of PPI in accordance with a short form amalgamation application (the “Amalgamation”) under the Business Corporations Act (British Columbia) and the following table summarizes the assets and liabilities of PPI at the date of the amalgamation that are now combined with the assets and liabilities of the Company:

Cash	\$ 7,161
Other assets	649,205
Other liabilities	(168,772)
Investments	53,932,968
	\$ 54,420,562

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.

During the year ended December 31, 2023, the Company bought back 201,700 Class C Shares in the market under its NCIB, at an average price of \$6.84, for a total cost of \$1,382,605. From January 1, 2024 to the expiry of the NCIB on February 13, 2024, the Company repurchased 5,100 additional Class C Shares. A total of 206,800 shares were repurchased under the NCIB in its one-year period at an average price of \$6.84.

On February 15, 2024, the Company renewed its NCIB on the TSXV. Upon launch, the Company had 7,362,121 shares issued, of which 6,301,883 shares represented its public float. The Company is entitled to purchase up to a maximum of 630,188 shares, representing 10% of its public float, over the one-year period of this NCIB. The NCIB will continue until February 14, 2025, 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 the rate of inflation continuing to slow, central banks led by the US Federal Reserve are taking the opportunity to signal a pivot in interest rate policy with the next rate move likely to be lower. There is still potential for volatility as the market was quick to adjust to these revised expectations, potentially setting the stage for disappointment if inflation remains sticky and rate cuts don't materialize to the degree expected. We think these macro variables will likely remain in focus. We will continue to monitor these macro events and assess their impacts on the Company and our Portfolio Companies with the goal to help the businesses we own have the durability and balance sheet strength to weather a variety of economic environments.

For VC activity, we expect a continuation of weak market conditions, particularly at the later and growth stages. The sluggish IPO market in 2023 is an indication of this trend, as buyers and sellers are still somewhat disconnected on company pricing. The year-end rally in equities has helped close the gap to a degree, as public market valuations expanded in anticipation of lower interest rates, 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 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 year ended December 31, 2023, we added new public securities to the portfolio, Kraken Robotics Inc. and Pinetree Capital Ltd. Also this year, a private Portfolio Company, Tiny Capital Ltd., merged with WeCommerce Holdings Ltd., and became publicly traded as Tiny Ltd. We subsequently divested our holdings of Tiny Ltd. This year we also added to our holdings of existing publicly listed companies, TrueContext Corporation (formerly ProntoForms Corporation) and Tantalus Systems Holding Inc., purchased additional shares of one private Portfolio Company, and purchased convertible debentures of two private Portfolio Companies. One of the debentures purchased in March 2023 was converted to preferred shares upon a merger transaction in June 2023. The merger transaction also resulted in a partial divestment of the Portfolio Company shares. The Company, during the year, also sold its entire holding of D-Wave Quantum Inc..

With the Amalgamation, investments in businesses that were previously held indirectly though PPI were brought directly into the portfolio. These included four publicly listed companies, Copperleaf Technologies Inc., Dye & Durham Limited, Kraken Robotics Inc., and Sangoma Technologies Corporation and two private Portfolio Companies, Catio, Inc. and General Fusion Inc..

As at December 31, 2023, our Portfolio Company holdings represented 104.2% of Net Asset Value, an increase of 9.8% from 94.4% as at December 31, 2022.

Pender's Net Assets as at December 31, 2023 were comprised of securities of publicly listed companies (80.3%) and private unlisted companies (23.9%), with cash and other assets net of liabilities making up the remainder (-4.2%).

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

Investments	December 31, 2023	December 31, 2022
Total Investments	\$ 76,608,425	\$ 71,443,724
LESS: Deferred gain	3,782,289	5,144,185
Net investments	\$ 72,826,136	\$ 66,299,539

During the year ended December 31, 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 year as shown in the table.

The significant trends and events for Pender's Portfolio Companies during the year ended December 31, 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 Copperleaf. Accordingly, we are required to disclose the following summary financial information. The summarized financial information provided is for the comparative financial years.

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 first quarter of 2024, the company announced its Q4 operating results, reporting 30% growth in annual recurring revenue in the quarter, complemented by subscription revenue growth of 21% year-over-year. The company ended the quarter with a backlog of \$139.5 million, up 30%. They continued to execute on their growth strategy, with their strategic go-to-market investments accelerating lead generation and adoption in new industries and geographies. As evidence of these investments gaining traction in 2023, the company expanded into the ports industry, airports, upstream oil & gas with its first oil sands client, its first oil & gas client in Europe, first water client in Australia with Sydney Water, and first transit agency in the US. The company continues to maintain a strong balance sheet, finishing the quarter with cash and short-term investments of \$116.4 million (compared to \$149 million as at December 31, 2022), and we continue to believe the shares are significantly undervalued.

As at December 31, 2023, the Company held 9.3% of Copperleaf's issued and outstanding shares.

Copperleaf Technologies Inc.

(expressed in thousands of Canadian dollars)

Selected Financial Information	December 31, 2023	December 31, 2022
Total assets	\$ 169,745	\$ 185,693
Total liabilities	64,522	52,666
Total shareholder' equity	105,223	133,027
	Year ended	Year ended
	December 31, 2023	December 31, 2022
Revenue	\$ 79,576	\$ 73,385
Gross profit	55,897	54,840
Net loss and comprehensive loss for the year	(35,151)	(28,202)

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 business combination with Australian tour and activity booking software company, Rezdy, and European tour and activity booking software company Regiondo. 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 Q4, 2023 Clarius released its first dual-array wireless scanner designed for hospital physicians and nurses who need to accurately diagnose and treat patients at the bedside.

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 85% of customer growth from either customer referrals or word of mouth. The company has grown a team which is now 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. In 2023 the company launched Y-CRM, a collaboration with YMCA of the USA as its technology provider to support customer relationship management and member management.

Publicly listed Companies

During the year ended December 31, 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 year ended December 31, 2023.

The key positive publicly listed contributors to the Company's performance for this year were Copperleaf Technologies Inc. (TSX:CPLF) and Dye & Durham Ltd (TSX:DND).

On the flip side, the portfolio saw some of its publicly listed holdings incur losses for the year ended December 31, 2023, with Sangoma Technologies Corporation (TSX: STC) and Tiny Ltd. (TSXV:TINY)

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 5.5% during the year ended December 31, 2023 (December 31, 2022 – 19.8%). 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' 17.8% annualized return under IFRS since inception to December 31, 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 year ended December 31, 2023, the Company's total shareholders' equity decreased by \$353,077 (0.5%), from \$70,239,255 at December 31, 2022 to \$69,886,178 at December 31, 2023, this decrease was a result of \$1,382,605 share repurchases made under the NCIB (described in the "Recent Developments" section of this MD&A) offset by positive investment performance of \$1,029,528.

During the year ended December 31, 2023, Net Assets per Share ranged from \$8.36 to \$9.50, while our closing price per share on the TSXV ranged from a low of \$6.11 to a high of \$8.49 per share, prices representing a discount to Net Assets per Share ranging from 8.35% to 34.61%.

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 December 31, 2023 are listed under the "Summary of Investment Portfolio" section of this MD&A.

QUARTERLY PERFORMANCE

During the fourth quarter of 2023, the Company had net income of \$4 million, primarily as a result of net realized and unrealized portfolio gains of \$5.2 million, offset by operating expenses. These gains were primarily attributable to the positive change in market prices of publicly listed securities.

Quarterly investment performance was reflected in the Net Assets per Share as shown in the tables under the “Summary of Quarterly Results” 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 and financial performance as at December 31, 2023, and for the three preceding financial years. This section should be read together with the Annual Audited Financial Statements.

Supplemental Data

	2023	2022	2021	2020
Net Assets (\$000s)	69,886	70,239	198,644	47,254
Non-Redeemable Class C Shares Outstanding	7,368,229	7,569,929	7,616,529	7,740,129
Net Assets per Share (\$)	9.48	9.28	26.08	6.11
Closing Market Price* (\$)	6.76	5.65	18.00	4.35
Total increase (decrease) from Operations per Share (\$)	0.14	(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	2022	2021	2020
Net realized (loss) gain	\$ (8,948,170)	\$ (13,556,891)	\$ 52,499,738	\$ 6,950,223
Net change in unrealized gain (loss)	17,994,943	(125,989,078)	115,906,623	8,096,531
Foreign exchange (loss) gain	(1,481)	(2,225)	46,029	(50,541)
Interest (reversal) income	(15,124)	278,949	335,229	1,798,393
Total revenue	9,030,168	(139,269,245)	168,787,619	16,794,606
Management fees	887,713	814,101	987,960	821,648
Withholding taxes, GST/HST and transactions cost	210,510	37,749	662,650	194,101
Other expenses	687,116	1,221,450	988,976	394,898
Total operating expenses	1,785,339	2,073,300	2,639,586	1,410,647
Net operating income (loss) before performance fees	7,244,829	(141,342,545)	166,148,033	15,383,959
Other items:				
Performance fees	693,716	(24,353,179)	36,991,288	1,211,315
Performance fees waived by the Manager	(173,429)	6,088,295	(9,247,822)	(302,829)
Net amount	520,287	(18,264,884)	27,743,466	908,486
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	7,231,839	25,768,997	(36,236,726)	-
Total performance fees adjustment	7,752,126	7,504,113	(8,493,260)	908,486
Net (loss) income before income taxes (recovery)	(507,297)	(148,846,658)	174,641,293	14,475,473
Income taxes (recovery)				
Current	-	(3,031,126)	3,031,126	-
Deferred	(1,536,825)	(17,976,570)	19,513,395	-
Total income taxes (recovery)	(1,536,825)	(21,007,696)	22,544,521	-
Net income (loss)	\$ 1,029,528	\$ (127,838,962)	\$ 152,096,772	\$ 14,475,473
Management expense ratio	2.31%	1.90%	2.15%	3.20%
Trading expense ratio	0.31%	0.04%	0.72%	0.51%

Financial performance for the year ended December 31, 2023

Highlights of the Portfolio Companies contributing to Pender's investment performance in the year ended December 31, 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 year ended December 31, 2023, the net realized loss on investments was \$8,948,170 (December 31, 2022 – \$13,556,891), primarily due to the recognition of losses on impaired securities.

(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 year ended December 31, 2023, the Company's net change in unrealized gains and losses on investments reflected a gain of \$17,994,943 (December 31, 2022 – unrealized losses \$125,989,078), mainly due to the reversal of unrealized losses on impaired securities to realized losses, and due to the increase in publicly listed securities, like Copperleaf Technologies Inc..

As described in (f) (ii) PPI Performance Fee in this section, subsequent to 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. Accordingly, the unrealized appreciation on Copperleaf Technology Inc. was offset by the reversal of accrued PPI Performance Fee receivable \$7 million.

(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 year ended December 31, 2023, the Company had a foreign exchange loss of \$1,481 (December 31, 2022 – \$2,225). 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 net reversal of interest income of \$15,124 during the year ended December 31, 2023 (December 31, 2022 – interest income \$278,949), attributable to bank interest and interest from investments, offset by the write-off of previously accrued loan interest related to the 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 \$887,713 for the year ended December 31, 2023, an increase of \$73,612 from the management fee expenses of \$814,101 for the year ended December 31, 2022. The increase in fees is primarily attributable to the inclusion of the Company's investment in PPI in the value of the Net Assets used in calculating the management fee for the last quarter of the year. 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.

(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 year ended December 31, 2023 and 2022.

(f) (i) 2021 Unrealized Performance Fee

In 2021, the performance fee expense was comprised of the performance fee that arose from the net increase in unrealized appreciation of the Company's holdings of Copperleaf ("2021 Unrealized Performance Fee"); and the performance fee that arose from net realized gains which 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 the realized gain on 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 year ended December 31, 2023, the Company recorded a net increase of 2021 Unrealized Performance Fee of \$520,287 due to the appreciation of Copperleaf (December 31, 2022 – net reversal of \$18,264,884).

(f) (ii) PPI Performance Fee

Prior to the PPI Transaction, the Manager also earned a performance fee for the management of PPI (the "PPI Performance Fee"). PPI had accrued a liability reflecting its obligation to pay this performance fee. To avoid fee duplication the manager agreed that the pro-rata part of that performance fee representing the Company's ownership percentage of PPI would be payable to the Company and the Company reflected an accrued PPI performance fee receivable from the Manager in its accounts. Subsequent to the PPI Transaction, the structure was simplified and PPI reversed its liability to pay the PPI Performance Fee which increased the value of PPI accordingly. 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. During the year ended December 31, 2023, the Company has reversed the accrued PPI performance fee receivable resulting in a net \$7,231,839 decrease in the Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares (December 31, 2022 - \$25,768,997).

f) (iii) Net impact from Uncrystallized Performance Fee

During the year ended December 31, 2023, the net impact of the above described in (f) (i) and (f) (ii) above, was a total performance fee adjustment of \$7,752,126 (December 31, 2022 – total performance fee adjustment \$7,504,113).

As at December 31, 2023, the high water mark was adjusted to \$11.26 (December 31, 2022 - \$11.17) reflecting net realized gains on Copperleaf during the year, excluding the impact of the unrealized gains on Copperleaf, which would otherwise have increased the high water mark by \$3.67 (December 31, 2022 -

\$3.32).

(g) Income taxes recovery

During the year ended December 31, 2023, current income taxes are \$Nil because taxable income in the year 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 (December 31, 2022 –\$17,976,570). 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 the “PPI Performance Fee” above in this section of the MD&A.

As at the end of the 2023 tax year, the Company had capital losses of \$9,055,209 (2022 - \$Nil) and non-capital losses of \$58,095,220 (2022 - \$376,847). As part of the Amalgamation, \$2,093,335 non-capital losses and \$53,797,637 restricted non-capital losses are carried over from PPI. The \$53,797,637 restricted non-capital losses that carried forwarded from PPI’s change of control, which occurred with the WOF Transaction, cannot be applied against capital gains or business investment income.

Capital losses are available to be carried forward indefinitely. Non-capital losses are available for carry forward to future years up to a maximum of 20 years. The Company’s non-capital losses expire as follows:

Expiry year	Amount
2026-2039	\$ 53,797,637
2040	452,334
2041	2,017,848
2042	1,827,401
	\$ 58,095,220

No deferred tax assets have been recognized on the statement of financial position where the Company has concluded that it is not probable that the benefit of recognized deferred income tax assets will be realized prior to their expiry.

(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 year ended December 31, 2023 was 2.31%, which was 0.41% higher than the 1.90% MER during the year ended December 31, 2022, primarily due to the decrease in the average value of Net Assets in the year ended December 31, 2023, compared to the year ended December 31, 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 year ended December 31, 2023 was 0.31% (December 31, 2022 – 0.04%).

Financial Highlights

Net Assets per Share (Note 1)	2023	2022	2021	2020
Net Assets per Share (beginning of year)	\$9.28	\$26.08	\$6.11	\$4.19
Increase (Decrease) from operations:				
Total revenue	0.00	0.04	0.04	0.23
Total (expenses) recovery	(1.06)	1.50	(2.18)	(0.29)
Realized (losses) gains	(1.19)	(1.79)	6.87	0.88
Unrealized gains (losses)	2.39	(16.60)	15.17	1.02
Total (decrease) increase from operations	0.14	(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 year)	\$9.48	\$9.28	\$26.08	\$6.11
Ratios and Supplemental Data				
Total net asset value (\$000s)	\$69,886	\$70,239	\$198,644	\$47,254
Number of shares outstanding	7,368,229	7,569,929	7,616,529	7,740,129
Closing market price	\$6.76	\$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

	December 31,		December 31,	
	2023		2022	
Assets				
Cash	\$	1,102,966	\$	1,552,667
Income taxes receivable		546,626		3,502,595
Divestment proceeds receivable		177,485		1,916,139
Interest receivable		21,507		162,932
Prepaid expenses		9,113		6,770
Due from related parties		-		3,023,368
Investments		72,826,136		66,299,539
Total assets		74,683,833		76,464,010
Liabilities				
Share repurchase payable		25,708		13,186
Accounts payable and accrued liabilities		175,898		142,880
Due to related parties		4,596,049		-
Interest payable		-		31,864
Deferred income tax liability		-		1,536,825
Loan payable		-		4,500,000
Total liabilities		4,797,655		6,224,755
Shareholders' equity	\$	69,886,178	\$	70,239,255

(a) Investments

As at December 31, 2023, Pender's total investments of \$72,826,136 were comprised of publicly listed Portfolio Companies valued at \$56,120,703 plus unlisted Portfolio Companies valued at \$20,487,722, less the deferred gain of \$3,782,289 described below.

The portfolio breakdown is 77.1% publicly listed company securities and 22.9% private company securities.

The total investments balance increased by \$6,526,597 from \$66,299,539 as at December 31, 2022 to \$72,826,136 as at December 31, 2023 mainly due to the increase in unrealized appreciation as discussed in "Net change in unrealized gains and losses" under the "Financial Performance for the year ended December 31, 2023" section in this MD&A.

In accordance with IFRS, the gain inherent in the difference between the price Pender paid for the shares of PPI and the net value of the underlying 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 year ended December 31, 2023, the Company recognized \$1,361,896 of the deferred gain. As at December 31, 2023, in total, \$29,016,504 of the original deferred gain had been recognized and taken into income, the remaining deferred gain was \$3,782,289 at December 31, 2023 (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 on an ongoing basis. The \$1,102,966 cash balance as at December 31, 2023 was \$449,701 less than the \$1,552,667 balance at December 31, 2022. This decrease was primarily a result of the loan repayment further described in section (i) below and share repurchases made under the NCIB, offset by net cash provided by operating activities (net proceeds on disposal of investments and receipt of the income tax receivable).

(c) Income taxes receivable

As at December 31, 2023 the income taxes receivable balance was \$546,626 (December 31, 2022 - \$3,502,595). In September 2023, the Company received an income tax refund of \$3,502,595 related to the carryback of losses to the 2021 tax year. The income taxes receivable balance was assumed on the Amalgamation and consists of an income tax refund due to PPI.

(d) Divestment proceeds receivable

As at December 31, 2023, the divestment proceeds receivable balance was \$177,485 (December 31, 2022 - \$1,916,139). It includes escrow proceeds from the partial sale of a private Portfolio Company in June 2023, and escrow proceeds assumed on the Amalgamation. During the year ended December 31, 2023, the Company received the \$1,916,139 escrow payment receivable that was accrued at December 31, 2022.

(e) Interest receivable

As at December 31, 2023 the interest receivable balance was \$21,507 (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 year ended December 31, 2023, this balance increased by \$33,018 to \$175,898 (December 31, 2022 - \$142,880) related to transactions in the normal course of business.

(g) Due to/from related parties

As at December 31, 2023, the Company had a balance due to related parties of \$4,596,049 (December 31, 2022 – net balance due from related party \$3,023,368), including the 2021 performance fees of \$4,488,614 described in note 5(a)(iii), \$4,401,582 of which was uncrystallized and \$87,032 of which was crystallized and is payable to the Manager. Also included in the due to related parties balance is \$158,693 for a performance fee that was payable by PPI to the Manager at the time of the Amalgamation, which was combined into the Company's books, and will also be paid upon publication of the Company's audited annual financial statements, and operating expenses recovery of \$51,258 from 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. 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 "PPI Performance Fee" under "Financial performance for the year ended December 31, 2023" section of the MD&A.

(i) Loan payable

In conjunction with the WOF Transaction, described in the "Pender Private Investments Inc." under "Risk Factors" 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 December 31, 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 7,368,229 non-redeemable Class C common shares outstanding as at December 31, 2023 (December 31, 2022 - 7,569,929). The decrease of 201,700 Class C common shares during the year ended December 31, 2023 is the result of the shares repurchased under the NCIB.

Cash Flows

During the year ended December 31, 2023, Pender's cash balance decreased by \$449,701, primarily due to the loan repayments and share repurchases made under the NCIB, offset by net cash provided by operating activities (net proceeds on disposal of investments and receipt of the income tax receivable).

Shareholder Activity

During the year ended December 31, 2023, the Company repurchased 201,700 shares under the NCIB, reducing the number of the Company's outstanding shares from 7,569,929 at the prior year end to

7,368,229 as at December 31, 2023.

More information about the formation and history of the Company is available in its most recent Annual Information Form.

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 Q4	2023 Q3	2023 Q2	2023 Q1
Net realized (loss) gain	\$ (8,372,437)	\$ (100,995)	\$ 552,658	\$ (1,027,396)
Net change in unrealized gain (loss)	13,557,686	7,060,962	(146,392)	(2,477,313)
Foreign exchange (loss) gain	(147)	3,839	(3,424)	(1,749)
Interest income (reversal)	47,075	45,154	32,551	(139,904)
Total revenue	5,233,177	7,008,960	435,393	(3,646,362)
Management fees	337,507	219,410	161,398	169,397
Withholding taxes, GST/HST and transaction costs	(2,916)	165,425	47,426	572
Other expenses	(38,545)	200,833	288,403	236,426
Total operating expenses	296,046	585,668	497,227	406,395
Net operating income (loss)	4,936,131	6,423,292	(61,834)	(4,052,757)
Other items:				
Performance fees	743,679	300,661	217,336	(567,958)
Performance fees waived by the Manager	(185,920)	(75,165)	(54,334)	141,990
Net amount	557,759	225,496	163,002	(425,968)
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
Total performance fee adjustment	557,759	7,429,278	(139,632)	(95,276)
Net income (loss) before income taxes (recovery)	4,378,372	(1,005,986)	77,798	(3,957,481)
Income taxes (recovery)				
Current	-	-	-	-
Deferred	-	(908,983)	36,581	(664,423)
Total income taxes (recovery)	-	(908,983)	36,581	(664,423)
Net income (loss)	\$ 4,378,372	\$ (97,003)	\$ 41,217	\$ (3,293,058)
Net Assets per Share (beginning of period)	\$ 8.85	\$ 8.85	\$ 8.85	\$ 9.28
Net Assets per Share (end of period)	\$ 9.48	\$ 8.85	\$ 8.85	\$ 8.85

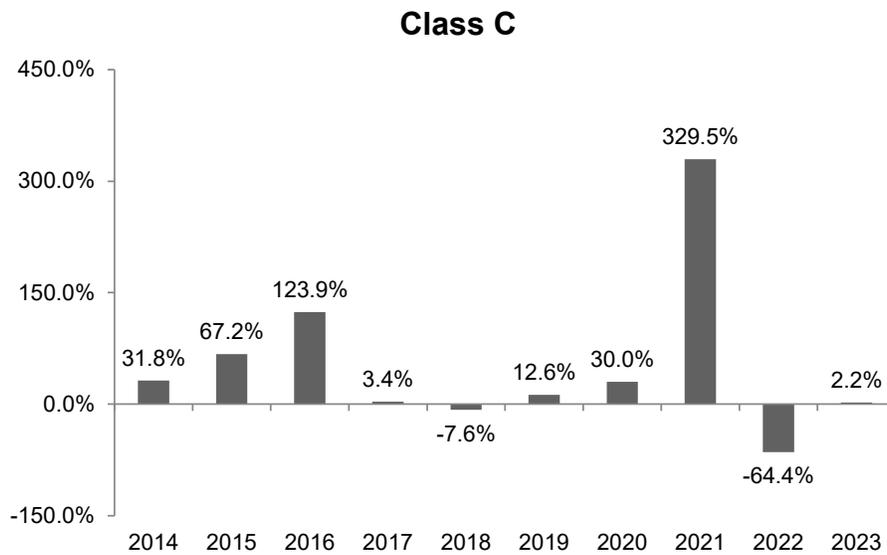
SUMMARY OF QUARTERLY RESULTS (CONTINUED)

	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Net realized (loss) gain	\$ (9,191,190)	\$ 2,453,227	\$ (3,021,127)	\$ (3,797,801)
Net Change in unrealized (loss) gain	(635,766)	(9,113,619)	(62,414,222)	(53,825,471)
Foreign exchange gain (loss)	6,583	11	4,761	(13,580)
Interest and securities lending income	269,271	5,286	750	3,642
Total revenue	(9,551,102)	(6,655,095)	(65,429,838)	(57,633,210)
Management fees	166,361	195,014	212,661	240,065
Withholding taxes, GST/HST and transaction costs	21,603	635	4,434	11,077
Other expenses	171,520	305,135	206,510	538,285
Total operating expenses	359,484	500,784	423,605	789,427
Net operating (loss) income	(9,910,586)	(7,155,879)	(65,853,443)	(58,422,637)
Other items:				
Performance fees	(1,649,826)	3,924,710	(14,623,714)	(12,004,349)
Performance fees waived by the Manager	412,457	(981,178)	3,655,928	3,001,088
Net amount	(1,237,369)	2,943,532	(10,967,786)	(9,003,261)
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	1,834,561	(294,045)	13,270,570	10,957,911
Total performance fee adjustment	597,192	2,649,487	2,302,784	1,954,650
Net (loss) income before income taxes (recovery)	(10,507,778)	(9,805,366)	(68,156,227)	(60,377,287)
Income taxes (recovery)				
Current	(1,198,544)	(1,792,043)	(40,539)	-
Deferred	(333,557)	506,798	(9,594,231)	(8,555,580)
Total income tax (recovery)	(1,532,101)	(1,285,245)	(9,634,770)	(8,555,580)
Net (loss) Income	\$ (8,975,677)	\$ (8,520,121)	\$ (58,521,457)	\$ (51,821,707)
Net Assets per Share (beginning of year)	\$ 10.46	\$ 11.58	\$ 19.29	\$ 26.08
Net Assets per Share (end of year)	\$ 9.28	\$ 10.46	\$ 11.58	\$ 19.29

PAST PERFORMANCE

To illustrate how the Company’s performance has varied over time, the following bar chart shows performance for the year ended December 31, 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
Copperleaf Technologies Inc.	59.5
Private unlisted companies*	23.9
Dye & Durham Limited	4.5
Sangoma Technologies Corporation	3.3
Zillow Group, Inc.	3.2
TrueContext Corporation (formerly ProntoForms Corporation)	3.1
Kraken Robotics Inc.	2.4
Quorum Information Technologies Inc.	1.5
Peloton Interactive, Inc.	1.2
Pinetree Capital Ltd.	0.7
Tantalus Systems Holding Inc.	0.6
BuildDirect.com Technologies Inc.	0.3

Summary of Composition of the Portfolio

	% OF NET ASSETS
Information Technology	78.9
Health Care	9.1
Industrials	5.4
Software and Services	4.8
Real Estate	3.2
Consumer Discretionary	1.5
Financial Service	0.7
Technology Hardware and Equipment	0.6
TOTAL INVESTMENTS	104.2
Cash	1.6
Other assets less liabilities	(5.8)
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

General Fusion Inc.
Pender Technology Inflection Fund II Limited Partnership

PREFERRED SHARES

Catio, Inc.
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.)
General Fusion Inc.
Jane Software Inc.
Traction Complete Technologies Inc.
Traction Rec Technologies Inc.

Convertible Loans:

Clarius Mobile Health Corp., 10%, 07/28/2025

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 December 31, 2023 the Company had 7,368,229 Class C Shares outstanding.

TRANSACTIONS BETWEEN RELATED PARTIES

As at December 31, 2023, the Manager and directors and officers of the Company held 13.4% 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 Fourth Amended and Restated Management Agreement dated December 31, 2023, (the "Management Agreement"), Pender pays management fees and performance fees to the Manager for management and portfolio advisory services. This Management Agreement shall remain in effect for an initial term ending April 30, 2027 and shall be renewed automatically, in accordance with that agreement, for a further term of four years unless a vote of shareholders determines otherwise. The Fourth Amended and Restated Management Agreement had no substantive changes, the amendment served to consolidate and incorporate all prior amendments into a unified document.

Effective December 2023, 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. For the year ended December 31, 2023, the management fees incurred by the Company were \$887,713 (December 31, 2022 - \$814,101).

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 year ended December 31, 2023 and 2022.

Performance fees – 2021:

In 2021, the performance fee expense was comprised of the performance fee that arose from the net increase in unrealized appreciation of the Company's holdings of Copperleaf ("2021 Unrealized Performance Fee"); and the performance fee that arose from net realized gains which was paid to the Manager in April 2022.

The Manager, in its sole discretion, decided that this 2021 Unrealized Performance Fee would not be paid upon the publication of the Company's audited annual financial statements, instead it would be recalculated each reporting period and the accrual and expenses would be adjusted accordingly, with payments to the Manager being triggered only when gains became realized. The basis for these payments is described in detail in part (f)(i) of the "Financial performance for the year ended December 31, 2023" section of this MD&A.

As at December 31, 2023, the total performance fee payable for the 2021 Unrealized Performance Fee was \$4,488,614 (December 31, 2022 - \$4,249,712), of which \$4,401,582 was uncrystallized and \$87,032 was crystallized.

During the year ended December 31, 2023, the net performance fee increased by \$238,902. The components of the changes related to the 2021 Unrealized Performance Fee accrual for the year ended December 31, 2023 are outlined in the table below:

2021 performance fee					
For the year ended December 31, 2023	Balance, beginning of year	Impact of Change in unrealized appreciation	Realized gain (unpaid)	Realized gain (paid)	Balance, end of year
Performance fees	7,409,239	(1,165,284)	116,043	(375,180)	5,984,818
Fees waived by the Manager	(3,159,527)	1,598,539	(29,011)	93,795	(1,496,204)
Net amount	4,249,712	433,255	87,032	(281,385)	4,488,614

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

Investments:

On December 16, 2022, the Company signed a subscription agreement for 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. As at December 31, 2023, the Company has invested \$1,030,575, bringing its contribution to 8.24% of its total commitment of \$12,500,000 and its unfunded balance to \$11,469,425.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2023, the Company is in a stable liquidity position, with cash of \$1,102,966 comprising 1.6% of the value of its Net Assets, and investments in publicly traded securities of \$56,120,703 or 80.3% 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 contracts. 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

Effective January 1, 2023, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in this MDA in certain instances.

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

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