



Dear Investor:

October 22, 2025

Re: Closure of Certain Classes of the Fund

We write to inform you that PenderFund Capital Management Ltd. ("**Pender**"), the Trustee and Manager of the funds listed in Schedule "A" attached to this letter (each, a "**Fund**", and collectively, the "**Funds**"), intends to close and no longer offer certain classes of units of the Funds effective December 5, 2025 (the "**Termination Date**"). The classes of the Funds that will be terminated (each, a "**Terminating Class**") are set out in Schedule "A" attached to this letter.

Our goal is simple: to give all investors access to the lowest cost purchase option available within each fund.

While each investor situation is unique, our proposal results in our investors paying less or the same in fees. This means that no matter how much you invest, you will benefit from the pricing that was previously only available at certain investment thresholds. This is how ETFs and many other investment products are priced today.

Our proposal derives from a review of how we apply fees across our funds. Under our original fixed-cost administration fee model, fees were set at 0.50% to support our small asset base and were often offset by lower management fees to maintain competitive Management Expense Ratios ("MERs"). An MER is the summation of the management fee and the administration fee, after taxes, expressed as a percentage of the asset base. As Pender has grown, we are proposing reducing administration fees and aligning management fees to match industry norms—while ensuring overall costs remain at or below current levels.

As part of this initiative, we would close certain classes with the continuing class having the same or, in most cases, lower MERs. If you are an investor in a class that is closing, you will receive a Termination Notice with more details.

These changes are designed to simplify your investment choices at Pender, bring our fee structure in line with the industry and ensure you receive good value.

Accordingly, as a holder of units in a Terminating Class, there are two options available to you:

Option 1: Redeem your units in the Terminating Class, or transfer (in cash) to another institution prior to the Termination Date; or

Option 2: Elect for your units in the Terminating Class to automatically be converted into units in the continuing class of the Fund as set out in Schedule "A" (the "**Continuing Class**"). If we do not receive instructions to redeem or transfer your units in the Terminating Class to another

institution prior to the Termination Date, any units you hold in the Terminating Class will be converted into units of the associated Continuing Class.

You will not be required to pay any redemption fees, sales charges or other fund fees associated with the closure of the Terminating Class.

We enclose a copy of the Fund Facts for the Continuing Class into which your units in the Terminating Class may be converted. The management fees and administration fees associated with each Continuing Class effective December 5, 2025 are also set out in Schedule "A" attached to this letter, which, in each case, is 0.30% **lower** than the aggregate management fee and administration fee currently associated with your Terminating Class.

The redemption of units in the Fund is generally a taxable event. A holder of units in the Fund will generally realize a capital gain (or a capital loss) equal to the amount by which the holder receives for the disposition of units is greater (or less) than the aggregate of the holder's adjusted cost base of the units immediately before such disposition and any reasonable costs incurred by the holder in connection with the redemption. On the redemption of units in the Terminating Class for cash, the amount received by a holder for the disposition of the units will equal the payment received from the Fund. A taxable event does not arise on the conversion for other units in the Continuing Class of the Fund.

Conversion of units between classes in the Fund will not change the value of your investment, but the number of units in the Fund you hold may change. This is because each class of units may have a different unit price.

To discuss your investment options and determine any tax implications associated with redeeming units in the Terminating Class of the Fund, **Pender strongly encourages you to consult your financial advisor.**

If you have any questions, comments or concerns regarding these changes, please contact us by calling toll-free 1-866-377-4743 or by sending an email to info@penderfund.com. You may also wish to contact your financial advisor.

Yours truly,

PENDERFUND CAPITAL MANAGEMENT LTD., as
manager of the Funds

(*signed*) David Barr
Chief Executive Officer & Director

Encl.

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SCHEDULE “A”
TERMINATING CLASSES AND CONTINUING CLASSES

Terminating Classes	Conversion into Continuing Class	Management Fee effective December 5, 2025	Administration Fee effective December 5, 2025
PENDER GLOBAL SMALL/MID CAP EQUITY FUND (formerly, PENDER VALUE FUND)			
Class A	Class H	1.85%	0.20%
PENDER CORPORATE BOND FUND			
Class A	Class H	1.40%	0.20%
Class A (USD)	Class H (USD)	1.40%	0.20%
PENDER ALTERNATIVE ABSOLUTE RETURN FUND			
Class A	Class H	1.80%	0.20%
Class A (USD)	Class H (USD)	1.80%	0.20%
PENDER ALTERNATIVE ARBITRAGE FUND			
Class A	Class H	1.80%	0.20%

This document contains key information you should know about Pender Alternative Absolute Return Fund. You can find more detailed information in the fund's simplified prospectus. Ask your representative for a copy, contact PenderFund Capital Management Ltd. (Pender) at 1-866-377-4743 or info@penderfund.com or visit www.penderfund.com.

Before you invest in any fund, consider how it would work with your other investments and your tolerance for risk.

This mutual fund is an alternative mutual fund. It is permitted to invest in asset classes or use investment strategies that are not permitted for conventional mutual funds. The specific strategies that differentiate this fund from conventional mutual funds include: Increased use of derivatives for hedging and non-hedging purposes; increased ability to sell securities short; the ability to borrow cash to use for investment purposes; and increased ability to invest in physical commodities. While these strategies will be used in accordance with the fund's investment objectives and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value.

Quick facts

Fund code:	PGF2040	Fund manager:	PenderFund Capital Management Ltd.
Date class started:	August 25, 2021	Portfolio manager:	PenderFund Capital Management Ltd.
Total value of the fund on April 30, 2025:	\$715.7 million	Distributions:	Net income monthly; net capital gains annually. Automatically reinvested in additional units; cash upon request.
Management expense ratio (MER):	3.10%	Minimum investment:	\$100,000 initial, \$0 additional

What does the fund invest in?

The fund invests primarily in a portfolio of North American fixed income securities but may also invest in foreign and other securities. The fund will use alternative investment strategies including the use of leverage. The leverage will be created through the use of cash borrowings, short sales and derivative contracts. The fund's leverage must not exceed 300% the fund's net asset value. The leverage will be calculated in accordance with the methodology prescribed by securities laws.

The charts below give you a snapshot of the fund's investments on April 30, 2025. The fund's investments will change.

Top 10 investments - (April 30, 2025)

1. United States Treasury, 0.00%, 19-Aug-25	9.5%
2. Government of Canada, 3.50%, 01-Aug-25	7.0%
3. Government of Canada, 3.75%, 01-May-25	7.0%
4. SPDR S&P 500 ETF Trust	-6.1%
5. Hilton USA Trust, Class 'F', Series '16-HHV', 4.33%, 05-Nov-38	5.6%
6. Canadian Treasury, 0.00%, 30-Jul-25	5.5%
7. Parkland Corporation, 6.00%, 23-Jun-28	5.2%
8. iShares Broad USD High Yield Corporate Bond ETF	-5.0%
9. iShares iBoxx \$ High Yield Corporate Bond ETF	-4.9%
10. United States Treasury, 0.00%, 24-Jun-25	4.8%
Total percentage of top 10 investments	28.6%
Total number of investments	122

Investment mix - (April 30, 2025)

Canadian corporate bonds and loans	54.3%
Government bonds	35.6%
US corporate bonds and loans	19.3%
Cash	14.3%
Foreign corporate bonds and loans	4.3%
Canadian equities	1.3%
Exchange-traded funds	-29.1%

How risky is it?

The value of the fund can go down as well as up. You could lose money. One way to gauge risk is to look at how much a fund's returns change over time. This is called "volatility".

In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

Risk rating

Pender has rated the volatility of Class H of the fund as low.

This rating is based on how much the fund's returns have changed from year to year. It doesn't tell you how volatile the fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.

Low	Low to Medium	Medium	Medium to High	High
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For more information about the risk rating and specific risks that can affect the fund's returns, see the section titled "What is a Mutual Fund and What are the Risks of Investing in a Mutual Fund" in the fund's simplified prospectus.

No guarantees

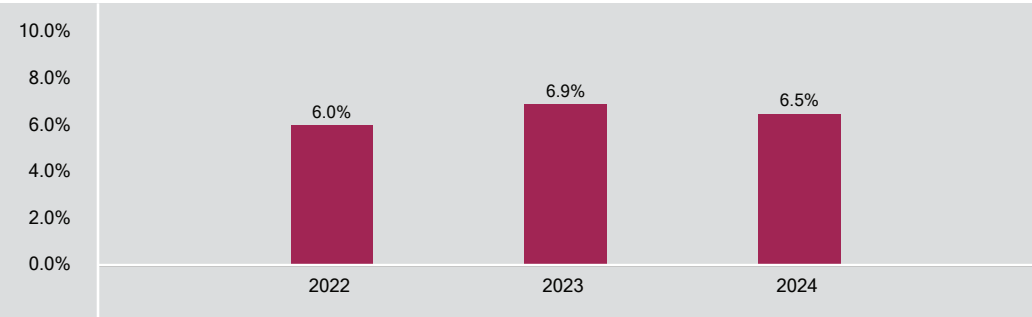
Like most mutual funds, this fund doesn't have any guarantees. You may not get back the amount of money you invest.

How has the fund performed?

This section tells you how Class H units of the fund have performed over the past 3 calendar years. Returns are after expenses have been deducted. These expenses reduce the fund's returns.

YEAR-BY-YEAR RETURNS

This chart shows how Class H units of the fund have performed in each of the past 3 calendar years. The fund did not drop in value in any of those years. The range of returns and change from year to year can help you assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.



BEST and WORST 3-MONTH RETURNS

This table shows the best and worst returns for Class H units of the fund in a 3-month period over the past 3 years. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

	Return	3 months ended	If you invested \$1,000 at the beginning of the period
Best return	3.7%	September 30, 2022	Your investment would rise to \$1,037.
Worst return	-0.8%	July 31, 2022	Your investment would drop to \$992.

AVERAGE RETURN

The annual compounded return of Class H units of the fund was 6.3% since inception. If you had invested \$1,000 in the fund since inception, your investment would be now worth \$1,249.

Who is this fund for?

This fund is suitable for investors who want to generate returns over a cycle by investing in an absolute return focused fixed income fund. This fund is suitable for investors who want to invest in a liquid alternative fund comprised of North American fixed income securities. Investors in this fund should have a long-term investment time horizon and a low tolerance for investment risk.

A word about tax

In general, you pay income tax on your share of the fund's earnings and on any gains you realize from redeeming your investment. The amount of tax depends on the tax rules and rates that apply to you, and whether you hold the fund in a registered plan, such as an RRSP or TFSA.

Keep in mind that if you hold your fund in a non-registered account, fund distributions are included in your taxable income, whether you get them in cash or have them reinvested.

How much does it cost?

The following tables show the fees and expenses you could pay to buy, own and sell Class H units of the fund. The fees and expenses – including any commissions – can vary among classes of a fund and among funds. Higher commissions can influence representatives to recommend one investment over another. Ask about other funds and investments that may be suitable for you at a lower cost.

1. SALES CHARGES

Your representative is able to charge you up to 5.00% of the amount you buy (up to \$50 on every \$1,000 you buy). You and your representative decide on the rate. This amount is then deducted from the amount you buy and it goes to your representative’s firm as a commission.

2. FUND EXPENSES

You don’t pay these expenses directly. They affect you because they reduce the fund’s returns. The fund will pay to the Manager a performance fee in relation to Class H units that is equal to 15% of the amount by which the total return of the Class H units exceeds a 3% hurdle rate, for the period since the performance fee was last paid, subject to accumulation in years where no performance fee is paid, provided that the total return of the Class H units for such period exceeds the previous high-water mark, exclusive of taxes. The performance fee is calculated as described in the Simplified Prospectus on a daily basis and paid annually. As of December 31, 2024, the expenses of Class H were 3.44% of the value of this class. This equals \$34.40 for every \$1,000 invested. Performance fees were 0.89% of the expenses, this equals \$8.90 for every \$1,000 invested.

	Annual rate (as a % of the class’ value)
Management expense ratio (MER) This is the total of the fund’s management fee (including, if applicable, the trailing commission) and administration fee.	3.10%
Trading expense ratio (TER) These are the fund’s trading costs for this class.	0.34%
Fund expenses	3.44%

More about the trailing commission

The trailing commission is an ongoing commission. It is paid for as long as you own the fund. It is for the services and advice that your representative and your representative’s firm provide to you. Pender pays the trailing commission to your representative’s firm. It is paid from the fund’s management fee and is based on the value of your investment. The trailing commission is equal to 0.85% of the value of your investment each year. This equals \$8.50 each year for every \$1,000 invested.

3. OTHER FEES

You may have to pay other fees when you buy, hold, sell or switch units of the fund.

Fee	What you pay
Short-term trading fee	You may be charged up to 2.00% of the value of units you sell or switch within 30 days of buying them. This fee goes to the fund.
Switch fee	Your representative’s firm may charge you up to 2.00% of the value of units you switch to another class of the fund or to another fund managed by Pender.

What if I change my mind?

Under the securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual fund units within two business days after you receive a simplified prospectus or Fund Facts document; or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you will also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, annual information form, Fund Facts document; or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

For more information

Contact Pender or your representative for a copy of the fund’s simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund’s legal documents, which can be found on our website at www.penderfund.com or on the SEDAR+ website at www.sedarplus.ca.

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To learn more about investing in mutual funds, see the brochure **Understanding mutual funds**, which is available on the website of the Canadian Securities Administrators at www.securities-administrators.ca.