

Pender Alternative Absolute Return Fund

For the year ended December 31, 2025

Annual Management Report of Fund Performance

This annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the annual financial statements at your request, at no cost, by calling toll-free 1-866-377-4743, by writing to us at 1830 - 1066 West Hastings Street, Vancouver, BC V6E 3X2 or by visiting our website at www.penderfund.com or the SEDAR+ website at www.sedarplus.ca.

You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Pender Alternative Absolute Return Fund

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MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The objective of the Pender Alternative Absolute Return Fund (the “Fund”) is to maximize absolute returns over a complete market cycle by providing long-term capital growth and income, with low volatility of returns. The Fund invests primarily in a portfolio of North American fixed income securities but may also invest in foreign and other securities.

PenderFund Capital Management Ltd. (“Pender”) is the Manager and Portfolio Advisor of the Fund.

Risks

The risks of investing in the Fund are outlined in the Simplified Prospectus dated June 27, 2025. There were no significant changes to the Fund’s objectives and strategies that affected its overall level of risk during the year.

The nature of the Fund’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 Fund’s control.

Future developments in these challenging areas could impact the Fund’s results and financial condition and the full extent of that impact remains unknown. Developing reliable estimates and applying judgment continue to be substantially complex. Actual results may differ from those estimates and assumptions.

Results of Operations

The net assets of the Fund were \$645,370,440 as at December 31, 2025 versus \$559,137,231 as at December 31, 2024. Of this \$86,233,209 increase, \$12,717,678 is attributable to positive investment performance and \$73,515,531 is attributable to net unitholder purchases of Fund units.

For the year ended December 31, 2025, Class A units of the Fund generated a total return of 1.2%. Returns for other classes of the Fund will be similar to Class A with any difference in performance being primarily due to the different management fees that are applicable to different classes. Returns for Class A (USD) (formerly Class H (USD)) and Class F (USD) (formerly Class I (USD)) will differ from Class A primarily due to foreign currency as these classes are denominated in US dollars whereas all remaining classes of the Fund are denominated in Canadian dollars. Please see the “Past Performance” section for the performance of the Fund’s other classes.

The Fund’s benchmark, HFRI Credit Index (Hedged to CAD), returned 8.9% during the year. In accordance with National Instrument 81-106, we have included a comparison to this benchmark to help you understand the Fund’s performance relative to the general performance of the market, but we caution that the Fund’s mandate may be significantly different from the benchmark. Further, the Fund’s returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund’s benchmark, which are based on the performance of an index that does not pay fees or incur expenses.

The following comments and the comments under “Recent Developments” reflect the views of the portfolio management team and are based on information as at the end of the year. Please read the caution regarding forward-looking statements located on the last page of this document.

The Fund’s underperformance as compared to its benchmark was mainly due to its defensive positioning in an effort to protect against a swift move lower for risk assets, while maintaining enough positive carry to earn positive returns if the markets continue to move higher. Both market and individual security valuations will drive portfolio positioning. While attractive individual positions can be identified in any market environment, the overall balance of risks and returns will guide the portfolio construction process.

Key positive individual contributors to the Fund’s performance during the year included Cardinal Energy Ltd., Hilton USA Trust, and Chemtrade Logistics Inc. Conversely, hedges in the SPDR S&P 500 ETF Trust, Invesco QQQ Trust, and iShares Russell 2000 ETF were among the largest detractors.

To achieve the Fund’s objective of maximizing absolute returns with low volatility, the Fund uses fundamental research to identify what we see as attractive risk adjusted return opportunities in individual investments within a diversified portfolio. We invest primarily in North American fixed income and credit securities as well as other instruments. We use short selling with the intention of both generating absolute returns and hedging unwanted market risk, or in situations where we believe securities have unattractive fundamental characteristics.

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Recent Developments

Both investment grade corporate and high yield spreads ended 2025 at historically tight levels, reflecting a risk on sentiment in credit markets and giving little incentive to take on significant credit risk. While on the surface, credit markets performed well throughout the year, there was significant volatility because of tariff announcements from the US administration. Despite widening because of tariff news, investor confidence in credit markets remained strong, with spreads tightening throughout the year after a volatile spring. Performance in credit markets was supported by tight spreads and attractive yield carry. Still, some caution is warranted as valuations are stretched.

In Canada, the Bank of Canada engaged in easing monetary policy before moving to a holding stance, with the benchmark lending rate moving to 2.25% at the end of the year from a start of 3.25%. Canadian Consumer Price Index slowed over the year and currently sits close to the target rate. The Bank of Canada said they expect economic slack to approximately offset inflation and therefore left rates unchanged in December. In the US on the other hand, the Fed suggested slower job gains and elevated unemployment are outweighing the risk of inflation currently and cut rates by 25 basis points in the final month of 2025.

2025 was a challenging year for the Fund. 2025 saw a difficult macro setup with low-risk premiums and relatively limited volatility outside of a few days in April. There hasn't been significant and tradable volatility in credit markets since the fall of 2023, which is an unusually long period of stability. We suspect that 2026 could be a year when volatility returns to markets, given how much optimism is priced into asset prices to start the year. We enter the year defensively positioned, we maintain that credit markets are mean reverting, and historically low volatile/tight credit spreads are followed by heightened turbulence, with spreads widening in response to unforeseen risks. Investors must remain vigilant and ready to capitalize on better risk adjusted opportunities should volatility return.

Independent Review Committee ("IRC") Appointments & Resignations

Effective March 12, 2026, Robin Mahood stepped down from the Independent Review Committee and Natascha Kiernan joined the Independent Review Committee.

Related Party Transactions

The Fund pays management and administration fees to the Manager for management and portfolio advisory services (see "Management and Administration Fees"). The Fund also pays the Manager performance fees (see "Performance Fees").

As at the end of the year, parties related to the Manager collectively held less than 1% of the Fund's units. In addition, the Pender Alternative Multi-Strategy Income Fund and Pender Strategic Growth and Income Fund, funds also managed by the Manager, collectively held 3% of the Fund's outstanding units.

Management and Administration Fees

The Fund pays management and administration fees calculated as a percentage of the net asset value of each respective class. The Management Expense Ratio ("MER") before applicable taxes such as GST or HST for each class does not exceed certain levels as set out in the Fund's offering documents. The fees are calculated at the close of business on each valuation day and are paid monthly. In exchange for the administration fee, the Manager pays the operating costs of the Fund.

Management fees are used by the Manager, in part, to pay sales commissions, trailer fees, marketing costs and other associated distribution costs relating to the sale of units of the Fund. Such expenses represented approximately 17% of the management fees paid by the Fund to the Manager for the year.

On December 5, 2025, changes to Fund classes were implemented in order to consolidate similar classes as well as align management fees and administration fees. Class A, Class A (USD), Class F and Class F (USD) were terminated and unless the unitholder elected to redeem their units, such units were merged into Class H, Class H (USD), Class I and Class I (USD). Subsequently, Class A, Class A (USD), Class I and Class I (USD) were renamed Class A, Class A (USD), Class F and Class F (USD).

Effective December 5, 2025, the management fees of Class A (formerly Class H), Class AF, Class A (USD) (formerly Class H (USD)), Class F (formerly Class I), Class FF, Class F (USD) (formerly Class I (USD)) and Class N were increased by 0.30%. On the same day, the administration fees for Class A (formerly Class H), Class AF, Class A (USD) (formerly Class H (USD)), Class E, Class F (formerly Class I), Class FF, Class F (USD) (formerly Class I (USD)) and Class N were reduced by 0.30% resulting in a net combined fee equal or lower than the original combined fee before applicable GST or HST.

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Performance Fees

The Manager is also entitled to a performance fee plus applicable taxes such as GST or HST on all classes of units of the Fund. For Class O units, the performance fee is or will be separately negotiated and charged directly to Class O Unitholders, as applicable. The performance fee is equal to 15% of the amount by which the total return of the class of 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 relevant class of units for such period exceeds the previous high-water mark. The high-water mark is the net asset value of the applicable class of units to which it applies as at the most recent determination date on which a performance fee was payable. Performance fees will be calculated and accrued daily, and such accrued fees will be payable by the Fund at the end of each year. The Manager has reserved the right to change the period for which any performance fee may be paid by a Fund. The Manager, at its discretion, may reduce or waive performance fees.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the calendar years indicated.

Fund's Net Assets Per Unit (a)

	2025 (\$)	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)
Class A (closed)					
Net Assets, beginning of year	9.26	9.70	9.89	9.99	10.00
Increase (decrease) from operations:					
Total revenue	0.52	0.69	0.61	0.69	0.48
Total expenses	(0.25)	(0.34)	(0.41)	(0.47)	(0.01)
Realized gains (losses)	(0.14)	0.50	0.54	0.40	(0.28)
Unrealized gains (losses)	(0.09)	(0.29)	(0.17)	0.13	0.03
Total increase (decrease) from operations (b)	0.04	0.56	0.57	0.75	0.22
Distributions:					
From income (excluding dividends)	(0.45)	(0.60)	(0.38)	(0.32)	(0.24)
From dividends	-	-	-	-	-
From capital gains	-	(0.42)	(0.45)	(0.33)	-
Return of capital	-	-	-	-	-
Total distributions (b), (c)	(0.45)	(1.02)	(0.83)	(0.65)	(0.24)
Net Assets, end of year	-	9.26	9.70	9.89	9.99
Class A (formerly Class H)					
Net Assets, beginning of year	9.37	9.80	10.00	9.99	10.00
Increase (decrease) from operations:					
Total revenue	0.56	0.69	0.61	0.52	0.47
Total expenses	(0.24)	(0.34)	(0.37)	(0.48)	(0.01)
Realized gains (losses)	(0.17)	0.51	0.55	0.21	(0.28)
Unrealized gains (losses)	(0.05)	(0.28)	(0.18)	0.23	0.04
Total increase (decrease) from operations (b)	0.10	0.58	0.61	0.48	0.22
Distributions:					
From income (excluding dividends)	(0.51)	(0.63)	(0.41)	(0.38)	(0.24)
From dividends	-	-	-	-	-
From capital gains	-	(0.40)	(0.46)	(0.20)	-
Return of capital	-	-	-	-	-
Total distributions (b), (c)	(0.51)	(1.03)	(0.87)	(0.58)	(0.24)
Net Assets, end of year	8.97	9.37	9.80	10.00	9.99

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Fund's Net Assets Per Unit (a) (cont'd)

	2025 (\$)	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)
Class AF					
Net Assets, beginning of year	9.44	9.85	10.03	9.99	10.00
Increase (decrease) from operations:					
Total revenue	0.57	0.71	0.63	0.54	0.07
Total expenses	(0.20)	(0.27)	(0.30)	(0.32)	-
Realized gains (losses)	(0.16)	0.49	0.55	0.23	(0.01)
Unrealized gains (losses)	(0.06)	(0.26)	(0.14)	0.12	0.13
Total increase (decrease) from operations (b)	0.15	0.67	0.74	0.57	0.19
Distributions:					
From income (excluding dividends)	(0.55)	(0.67)	(0.55)	(0.45)	(0.23)
From dividends	-	-	-	-	-
From capital gains	-	(0.40)	(0.37)	(0.14)	-
Return of capital	-	-	-	-	-
Total distributions (b), (c)	(0.55)	(1.07)	(0.92)	(0.59)	(0.23)
Net Assets, end of year	9.04	9.44	9.85	10.03	9.99
Class E					
Net Assets, beginning of year	9.20	9.68	9.92	10.00	
Increase (decrease) from operations:					
Total revenue	0.55	0.69	0.56	0.38	
Total expenses	(0.09)	(0.18)	(0.43)	(0.07)	
Realized gains (losses)	(0.16)	0.53	0.46	0.21	
Unrealized gains (losses)	(0.05)	(0.30)	0.03	(0.03)	
Total increase (decrease) from operations (b)	0.25	0.74	0.62	0.49	
Distributions:					
From income (excluding dividends)	(0.65)	(0.77)	(0.24)	(0.18)	
From dividends	-	-	-	-	
From capital gains	-	(0.44)	(0.82)	(0.40)	
Return of capital	-	-	-	-	
Total distributions (b), (c)	(0.65)	(1.21)	(1.06)	(0.58)	
Net Assets, end of year	8.81	9.20	9.68	9.92	
Class F (closed)					
Net Assets, beginning of year	9.28	9.74	9.96	9.99	10.00
Increase (decrease) from operations:					
Total revenue	0.52	0.69	0.62	0.57	0.47
Total expenses	(0.16)	(0.27)	(0.31)	(0.42)	(0.01)
Realized gains (losses)	(0.13)	0.50	0.57	0.35	(0.28)
Unrealized gains (losses)	(0.10)	(0.31)	(0.20)	0.27	0.04
Total increase (decrease) from operations (b)	0.13	0.61	0.68	0.77	0.22
Distributions:					
From income (excluding dividends)	(0.54)	(0.70)	(0.51)	(0.40)	(0.24)
From dividends	-	(0.01)	-	-	-
From capital gains	-	(0.43)	(0.44)	(0.24)	-
Return of capital	-	-	-	-	-
Total distributions (b), (c)	(0.54)	(1.14)	(0.95)	(0.64)	(0.24)
Net Assets, end of year	-	9.28	9.74	9.96	9.99

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Fund's Net Assets Per Unit (a) (cont'd)

	2025 (\$)	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)
Class F (formerly Class I)					
Net Assets, beginning of year	9.23	9.68	9.90	9.99	10.00
Increase (decrease) from operations:					
Total revenue	0.55	0.69	0.60	0.69	(0.01)
Total expenses	(0.15)	(0.25)	(0.32)	(0.41)	-
Realized gains (losses)	(0.16)	0.50	0.51	0.41	0.02
Unrealized gains (losses)	(0.06)	(0.28)	(0.15)	0.18	0.15
Total increase (decrease) from operations (b)	0.18	0.66	0.64	0.87	0.16
Distributions:					
From income (excluding dividends)	(0.59)	(0.71)	(0.44)	(0.37)	(0.24)
From dividends	-	-	-	-	-
From capital gains	-	(0.41)	(0.52)	(0.36)	-
Return of capital	-	-	-	-	-
Total distributions (b), (c)	(0.59)	(1.12)	(0.96)	(0.73)	(0.24)
Net Assets, end of year	8.84	9.23	9.68	9.90	9.99
Class FF					
Net Assets, beginning of year	9.41	9.85	10.04	10.00	10.00
Increase (decrease) from operations:					
Total revenue	0.57	0.71	0.63	0.53	0.07
Total expenses	(0.11)	(0.19)	(0.21)	(0.24)	-
Realized gains (losses)	(0.16)	0.48	0.55	0.22	(0.01)
Unrealized gains (losses)	(0.06)	(0.25)	(0.14)	0.15	0.14
Total increase (decrease) from operations (b)	0.24	0.75	0.83	0.66	0.20
Distributions:					
From income (excluding dividends)	(0.64)	(0.77)	(0.64)	(0.52)	(0.22)
From dividends	-	-	-	-	-
From capital gains	-	(0.42)	(0.38)	(0.14)	-
Return of capital	-	-	-	-	-
Total distributions (b), (c)	(0.64)	(1.19)	(1.02)	(0.66)	(0.22)
Net Assets, end of year	9.01	9.41	9.85	10.04	10.00
Class N					
Net Assets, beginning of year	9.38	9.80	10.00	9.99	10.00
Increase (decrease) from operations:					
Total revenue	0.57	0.71	0.58	0.52	0.47
Total expenses	(0.12)	(0.20)	(0.43)	(0.28)	(0.01)
Realized gains (losses)	0.04	0.48	0.78	0.28	(0.28)
Unrealized gains (losses)	(0.27)	(0.26)	(0.35)	0.20	0.04
Total increase (decrease) from operations (b)	0.22	0.73	0.58	0.72	0.22
Distributions:					
From income (excluding dividends)	(0.57)	(0.76)	(0.31)	(0.51)	(0.24)
From dividends	-	-	-	-	-
From capital gains	-	(0.40)	(0.69)	(0.18)	-
Return of capital	-	-	-	-	-
Total distributions (b), (c)	(0.57)	(1.16)	(1.00)	(0.69)	(0.24)
Net Assets, end of year	9.03	9.38	9.80	10.00	9.99

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Fund's Net Assets Per Unit (a) (cont'd)

	2025 (\$)	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)
Class O					
Net Assets, beginning of year	9.62	10.03	10.19	9.99	10.00
Increase (decrease) from operations:					
Total revenue	0.57	0.72	0.65	0.31	0.48
Total expenses	(0.04)	(0.03)	(0.05)	(0.06)	(0.01)
Realized gains (losses)	(0.28)	0.52	0.56	0.17	(0.29)
Unrealized gains (losses)	0.09	(0.30)	(0.14)	0.43	0.04
Total increase (decrease) from operations (b)	0.34	0.91	1.02	0.85	0.22
Distributions:					
From income (excluding dividends)	(0.75)	(0.90)	(0.85)	(0.68)	(0.24)
From dividends	-	-	-	-	-
From capital gains	-	(0.42)	(0.32)	-	-
Return of capital	-	-	-	-	-
Total distributions (b), (c)	(0.75)	(1.32)	(1.17)	(0.68)	(0.24)
Net Assets, end of year	9.18	9.62	10.03	10.19	9.99
Class A (USD) (closed)					
Net Assets, beginning of year	13.35	12.86	13.33	13.20	
Increase (decrease) from operations:					
Total revenue	0.73	0.96	0.75	0.60	
Total expenses	(0.36)	(0.49)	(0.94)	(0.18)	
Realized gains (losses)	0.21	1.15	0.75	0.20	
Unrealized gains (losses)	(0.79)	0.56	(1.10)	0.35	
Total increase (decrease) from operations (b)	(0.21)	2.18	(0.54)	0.97	
Distributions:					
From income (excluding dividends)	(0.63)	(0.75)	(0.14)	(0.23)	
From dividends	-	-	-	-	
From capital gains	-	(0.63)	(1.03)	(0.58)	
Return of capital	-	-	-	-	
Total distributions (b), (c)	(0.63)	(1.38)	(1.17)	(0.81)	
Net Assets, end of year	-	13.35	12.86	13.33	
Class A (USD) (formerly Class H (USD))					
Net Assets, beginning of year	13.31	12.88	13.33	13.20	
Increase (decrease) from operations:					
Total revenue	0.78	0.95	0.67	0.60	
Total expenses	(0.35)	(0.42)	(0.97)	(0.17)	
Realized gains (losses)	(0.08)	1.07	0.07	0.20	
Unrealized gains (losses)	(0.59)	0.26	(1.87)	0.35	
Total increase (decrease) from operations (b)	(0.24)	1.86	(2.10)	0.98	
Distributions:					
From income (excluding dividends)	(0.66)	(0.87)	(0.12)	(0.24)	
From dividends	-	-	-	-	
From capital gains	-	(0.63)	(1.06)	(0.58)	
Return of capital	-	-	-	-	
Total distributions (b), (c)	(0.66)	(1.50)	(1.18)	(0.82)	
Net Assets, end of year	12.40	13.31	12.88	13.33	

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Fund's Net Assets Per Unit (a) (cont'd)

	2025 (\$)	2024 (\$)	2023 (\$)	2022 (\$)	2021 (\$)
Class F (USD) (closed)					
Net Assets, beginning of year	13.07	12.68	13.40	13.20	
Increase (decrease) from operations:					
Total revenue	0.72	0.92	0.82	0.54	
Total expenses	(0.22)	(0.38)	(0.40)	(0.18)	
Realized gains (losses)	(0.16)	1.27	0.98	0.29	
Unrealized gains (losses)	(0.56)	0.27	(0.53)	(0.06)	
Total increase (decrease) from operations (b)	(0.22)	2.08	0.87	0.59	
Distributions:					
From income (excluding dividends)	(0.73)	(0.93)	(0.82)	(0.06)	
From dividends	-	-	-	-	
From capital gains	-	(0.62)	(0.69)	(0.22)	
Return of capital	-	-	-	-	
Total distributions (b), (c)	(0.73)	(1.55)	(1.51)	(0.28)	
Net Assets, end of year	-	13.07	12.68	13.40	
Class F (USD) (formerly Class I (USD))					
Net Assets, beginning of year	13.33	12.90	13.54	13.20	
Increase (decrease) from operations:					
Total revenue	0.78	0.96	0.82	0.30	
Total expenses	(0.22)	(0.38)	(0.47)	(0.50)	
Realized gains (losses)	0.06	1.17	0.85	0.18	
Unrealized gains (losses)	(0.84)	0.19	(0.46)	0.24	
Total increase (decrease) from operations (b)	(0.22)	1.94	0.74	0.22	
Distributions:					
From income (excluding dividends)	(0.81)	(0.98)	(0.60)	(0.28)	
From dividends	-	(0.01)	-	-	
From capital gains	-	(0.63)	(0.85)	(0.42)	
Return of capital	-	-	-	-	
Total distributions (b), (c)	(0.81)	(1.62)	(1.45)	(0.70)	
Net Assets, end of year	12.36	13.33	12.90	13.54	

(a) This information is derived from the Fund's audited annual financial statements as at December 31 for the year stated, prepared under IFRS Accounting Standards. On December 5, 2025, Class A, Class A (USD), Class F and Class F (USD) units were converted into Class H, Class H (USD), Class I, and Class I (USD) units. Class H, Class H (USD), Class I, and Class I (USD) were then renamed to Class A, Class A (USD), Class F, and Class F (USD).

(b) Net assets per unit and distributions per unit are based on the actual number of units for the relevant Fund class outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding during the year.

(c) Distributions were paid in cash and/or reinvested in additional units of the Fund.

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Ratios and Supplemental Data

	2025 (f)	2024	2023	2022	2021
Class A (formerly Class H)					
Total net asset value (\$000s) (a)	48,965	17,741	9,405	3,778	5
Number of units outstanding (a)	5,460,428	1,893,112	960,154	378,047	512
Management expense ratio before performance fee (b)	2.20%	2.21%	2.17%	2.10%	0.00%
Management expense ratio (b)	2.20%	3.10%	3.25%	4.18%	0.00%
Management expense ratio before absorptions (c)	2.20%	3.10%	3.25%	4.18%	2.10%
Trading expense ratio (d)	0.44%	0.34%	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	145.41%	131.26%	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	8.97	9.37	9.80	10.00	9.99
Class AF					
Total net asset value (\$000s) (a)	5,617	7,491	8,699	8,865	2,651
Number of units outstanding (a)	621,164	793,497	882,806	884,052	265,312
Management expense ratio before performance fee (b)	1.75%	1.75%	1.75%	1.76%	0.00%
Management expense ratio (b)	1.75%	2.42%	2.54%	2.67%	0.00%
Management expense ratio before absorptions (c)	1.75%	2.42%	2.54%	2.67%	1.75%
Trading expense ratio (d)	0.44%	0.34%	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	145.41%	131.26%	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	9.04	9.44	9.85	10.03	9.99
Class E					
Total net asset value (\$000s) (a)	3,319	2,998	2,370	167	
Number of units outstanding (a)	376,667	325,972	244,889	16,829	
Management expense ratio before performance fee (b)	0.50%	0.53%	0.53%	0.54%	
Management expense ratio (b)	0.50%	1.51%	3.94%	1.42%	
Management expense ratio before absorptions (c)	0.50%	1.51%	3.94%	1.43%	
Trading expense ratio (d)	0.44%	0.34%	0.45%	0.63%	
Portfolio turnover rate (e)	145.41%	131.26%	251.99%	186.73%	
Net asset value per unit (\$) (a)	8.81	9.20	9.68	9.92	
Class F (formerly Class I)					
Total net asset value (\$000s) (a)	496,734	327,378	234,011	52,440	131
Number of units outstanding (a)	56,186,100	35,460,558	24,179,105	5,298,794	13,156
Management expense ratio before performance fee (b)	1.25%	1.24%	1.22%	1.21%	0.00%
Management expense ratio (b)	1.25%	2.24%	2.74%	3.45%	0.00%
Management expense ratio before absorptions (c)	1.25%	2.24%	2.74%	3.46%	1.22%
Trading expense ratio (d)	0.44%	0.34%	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	145.41%	131.26%	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	8.84	9.23	9.68	9.90	9.99
Class FF					
Total net asset value (\$000s) (a)	51,036	67,933	73,805	75,547	32,660
Number of units outstanding (a)	5,663,190	7,221,730	7,493,720	7,530,069	3,265,237
Management expense ratio before performance fee (b)	0.70%	0.70%	0.70%	0.71%	0.00%
Management expense ratio (b)	0.70%	1.56%	1.65%	1.78%	0.00%
Management expense ratio before absorptions (c)	0.70%	1.56%	1.65%	1.79%	0.70%
Trading expense ratio (d)	0.44%	0.34%	-	0.63%	0.16%
Portfolio turnover rate (e)	145.41%	131.26%	-	186.73%	122.86%
Net asset value per unit (\$) (a)	9.01	9.41	9.85	10.04	10.00

Pender Alternative Absolute Return Fund

For the year ended December 31, 2025

Ratios and Supplemental Data (cont'd)

	2025 (f)	2024	2023	2022	2021
Class N					
Total net asset value (\$000s) (a)	5	4,301	4,796	270	5
Number of units outstanding (a)	586	458,694	489,296	26,961	512
Management expense ratio before performance fee (b)	0.84%	0.84%	0.84%	0.84%	0.00%
Management expense ratio (b)	0.84%	1.66%	3.77%	2.13%	0.00%
Management expense ratio before absorptions (c)	0.84%	1.66%	3.77%	2.13%	0.88%
Trading expense ratio (d)	0.44%	0.34%	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	145.41%	131.26%	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	9.03	9.38	9.80	10.00	9.99
Class O					
Total net asset value (\$000s) (a)	21,359	5,694	3,757	3,966	5,283
Number of units outstanding (a)	2,327,233	591,666	374,488	389,478	528,823
Management expense ratio before performance fee (b)	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio (b)	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio (d)	0.44%	0.34%	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	145.41%	131.26%	251.99%	186.73%	122.86%
Net asset value per unit (\$) (a)	9.18	9.62	10.03	10.19	9.99
Class A (USD) (formerly Class H (USD))					
Total net asset value (\$000s) (a)	910	1,100	536	7	
Number of units outstanding (a)	73,370	82,606	41,603	531	
Management expense ratio before performance fee (b)	2.26%	2.10%	2.10%	2.12%	
Management expense ratio (b)	2.26%	2.83%	6.88%	2.96%	
Management expense ratio before absorptions (c)	2.26%	2.83%	6.88%	2.96%	
Trading expense ratio (d)	0.44%	0.34%	0.45%	0.63%	
Portfolio turnover rate (e)	145.41%	131.26%	251.99%	186.73%	
Net asset value per unit (\$) (a)	12.40	13.31	12.88	13.33	

Pender Alternative Absolute Return Fund

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Ratios and Supplemental Data (cont'd)

	2025 (f)	2024	2023	2022	2021
Class F (USD) (formerly Class I (USD))					
Total net asset value (\$000s) (a)	17,426	13,183	10,512	957	
Number of units outstanding (a)	1,409,768	988,712	814,592	70,730	
Management expense ratio before performance fee (b)	1.22%	1.22%	1.21%	1.22%	
Management expense ratio (b)	1.27%	2.50%	2.97%	10.44%	
Management expense ratio before absorptions (c)	1.27%	2.50%	2.97%	10.45%	
Trading expense ratio (d)	0.44%	0.34%	0.45%	0.63%	
Portfolio turnover rate (e)	145.41%	131.26%	251.99%	186.73%	
Net asset value per unit (\$) (a)	12.36	13.33	12.90	13.54	

(a) This information is derived from the Fund's audited annual financial statements as at December 31 for the year stated, prepared under IFRS Accounting Standards. On December 5, 2025, Class A, Class A (USD), Class F and Class F (USD) units were converted into Class H, Class H (USD), Class I, and Class I (USD) units. Class H, Class H (USD), Class I, and Class I (USD) were then renamed to Class A, Class A (USD), Class F, and Class F (USD).

(b) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the year and is expressed as an annualized percentage of daily average net asset value during the year. The MER may vary from one class of units to another because of differences in the applicable management fees and certain fees and expenses may have been absorbed by the Manager which would otherwise be paid by the Fund. Management expense ratio before performance fee is the MER before any performance fees, if applicable, for the stated year.

(c) The Manager of the Fund has agreed to absorb sufficient expenses of the Fund, as necessary, so that the annual MER before applicable taxes such as GST or HST will not exceed certain limits as outlined in the Fund's Simplified Prospectus. The amount of expenses absorbed is at the discretion of the Manager as set out in the Fund's Simplified Prospectus, and the Manager may in its sole discretion cease to absorb expenses.

(d) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year.

(e) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. In general, the higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(f) Effective December 5, 2025, the management fees of Class A (formerly Class H), Class AF, Class A (USD) (formerly Class H (USD)), Class F (formerly Class I), Class FF, Class F (USD) (formerly Class I (USD)) and Class N were increased by 0.30%. On the same day, the administration fees for Class A (formerly Class H), Class AF, Class A (USD) (formerly Class H (USD)), Class E, Class F (formerly Class I), Class FF, Class F (USD) (formerly Class I (USD)) and Class N were reduced by 0.30% resulting in a net combined fee equal or lower than the original combined fee before applicable GST or HST.

Pender Alternative Absolute Return Fund

For the year ended December 31, 2025

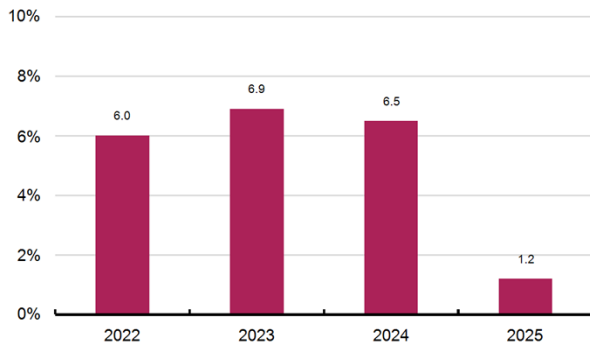
Past Performance

The following charts show the past performance for the units of each class of the Fund and do not necessarily indicate how the Fund will perform in the future. The information shown assumes that any distributions made by the Fund were reinvested in additional units of the Fund. Returns would be different if an investor did not reinvest distributions. In addition, the information does not take into account sales, redemptions, income taxes payable or other charges that would have reduced returns or performance. Past performance for Class A, Class A (USD), Class F and Class F (USD) units of the Fund are not available for disclosure because the classes were closed during the year.

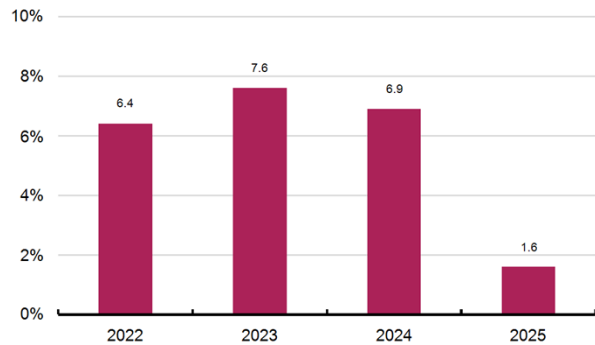
Year-by-Year Returns

To illustrate how the Fund's performance has varied over time, the following bar charts show the Fund's annual returns for the calendar years indicated. The information is presented starting from the first full financial year of the respective Fund class. In percentage terms, the bar charts show how much an investment held on the first day of the year would have increased or decreased by the last day of the year.

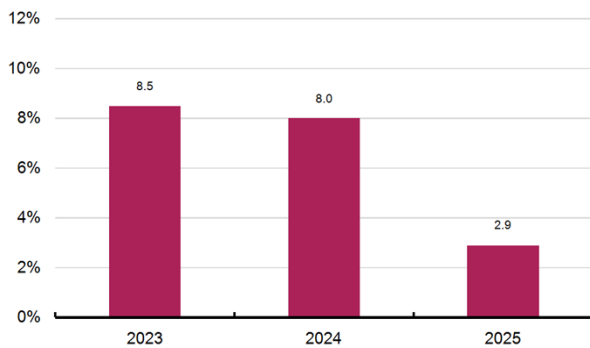
Class A (formerly Class H)



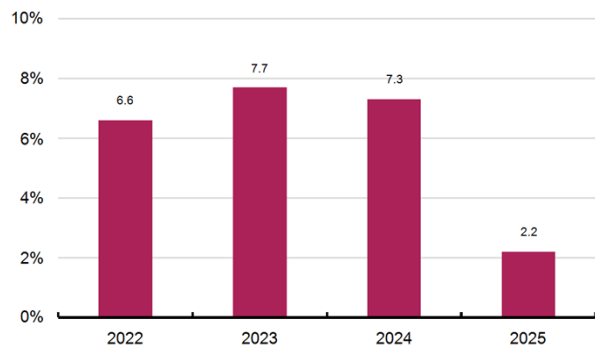
Class AF



Class E



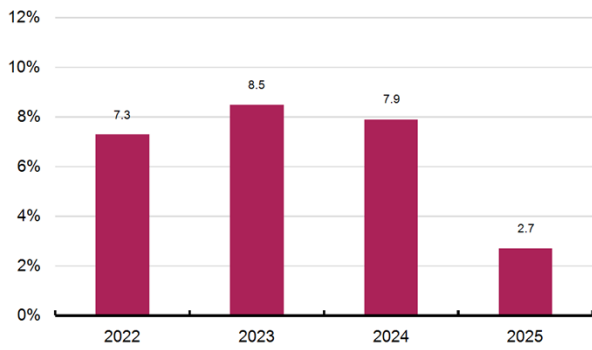
Class F (formerly Class I)



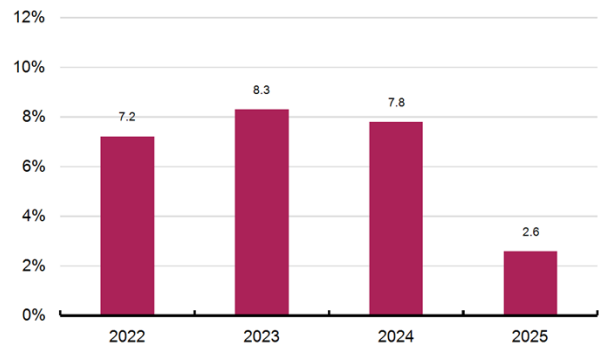
Pender Alternative Absolute Return Fund

For the year ended December 31, 2025

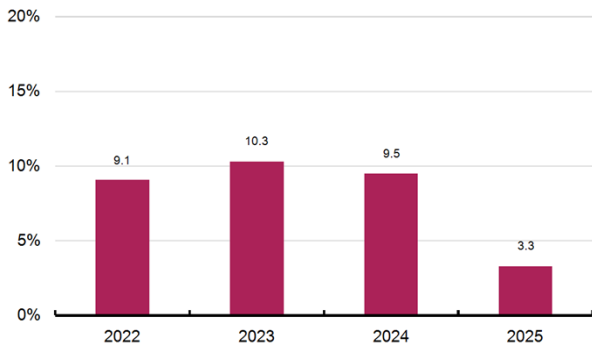
Class FF



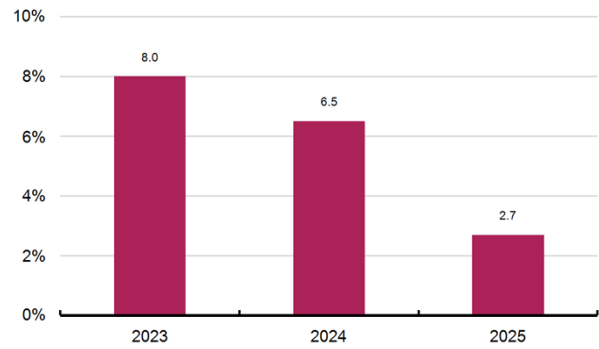
Class N



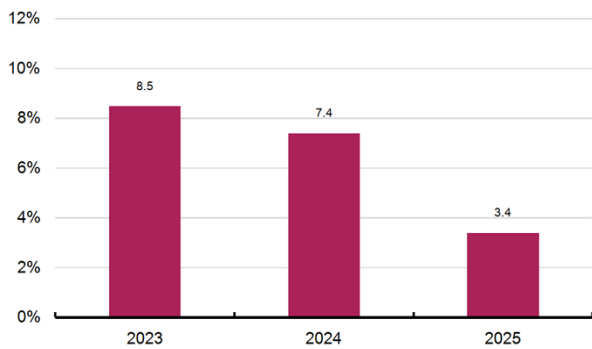
Class O



Class A (USD) (formerly Class H (USD))



Class F (USD) (formerly Class I (USD))



Pender Alternative Absolute Return Fund

For the year ended December 31, 2025

Annual Compound Returns

The annual compound returns table compares the Fund's performance to one or more benchmarks. Benchmarks are usually an index or a composite of more than one index. An index is generally made up of a group of securities. Since the Fund does not necessarily invest in the same securities as an index or in the same proportion, the Fund's performance is not expected to equal the performance of the index. Fund returns are reported net of all management fees and expenses for all classes, unlike the returns of the Fund's benchmark, which are based on the performance of an index that does not pay fees or incur expenses. It may be more helpful to compare the Fund's performance to that of other mutual funds with similar objectives and investment strategies.

The Fund's benchmark is HFRI Credit Index (Hedged to CAD). HFRI Credit Index (Hedged to CAD) is a composite index of strategies trading primarily in credit markets. It is an equal-weighted aggregation of the following 7 HFRI sub strategy indices. HFRI ED: Credit Arbitrage Index, HFRI ED: Distressed/Restructuring Index, HFRI ED: Multi-Strategy Index, HFRI RV: Fixed Income-Asset Backed Index, HFRI RV: Fixed Income-Convertible Arbitrage Index, HFRI RV: Fixed Income-Corporate Index, and HFRI RV: Multi-Strategy Index.

A discussion of the performance of the Fund as compared to its benchmarks is found in the "Results of Operations" section of this report.

	Inception Date	1 Year (%)	3 Year (%)	Since Inception (%)
Class A (formerly Class H)	01-Sep-21	1.2	4.8	5.3
HFRI Credit Index (Hedged to CAD)		8.9	8.9	5.5
Class AF	01-Sep-21	1.6	5.3	5.7
HFRI Credit Index (Hedged to CAD)		8.9	8.9	5.5
Class E	01-Sep-22	2.9	6.4	7.3
HFRI Credit Index (Hedged to CAD)		8.9	8.9	7.2
Class F (formerly Class I)	01-Sep-21	2.2	5.7	6.0
HFRI Credit Index (Hedged to CAD)		8.9	8.9	5.5
Class FF	01-Sep-21	2.7	6.4	6.6
HFRI Credit Index (Hedged to CAD)		8.9	8.9	5.5
Class N	01-Sep-21	2.6	6.2	6.5
HFRI Credit Index (Hedged to CAD)		8.9	8.9	5.5
Class O	01-Sep-21	3.3	7.7	7.9
HFRI Credit Index (Hedged to CAD)		8.9	8.9	5.5
Class A (USD) (formerly Class H (USD))	01-Sep-22	2.7	5.7	6.5
HFRI Credit Index (Hedged to CAD)		8.9	8.9	7.2
Class F (USD) (formerly Class I (USD))	01-Sep-22	3.4	6.4	7.4
HFRI Credit Index (Hedged to CAD)		8.9	8.9	7.2

Pender Alternative Absolute Return Fund

For the year ended December 31, 2025

Summary of Investment Portfolio

The largest holdings of the Fund as at the end of the year and the major asset classes in which the Fund was invested are indicated below. Where the Fund has less than 25 holdings, the table will show the Fund's entire investment portfolio. The investment portfolio may change due to ongoing portfolio transactions. An update of the Fund's summary of investment portfolio as at the end of each calendar quarter is available from the Manager. Please see the front page of this document for information about how this can be obtained.

Top 25 Holdings

	% of Net Assets
LONG POSITIONS	
United States Treasury, 3.57%, 2026/02/17	10.6
United States Treasury, 3.60%, 2026/04/21	8.4
Sunoco L.P., Callable, 6.00%, 2028/06/22	7.0
Government of Canada, 2.70%, 2026/01/14	6.9
Hilton USA Trust, Class 'F', Series '16-HHV', 4.33%, 2038/11/05	6.4
Enbridge Inc., Discount Note, 2.79%, 2026/01/29	6.2
Blue Racer Midstream LLC, Callable, 6.63%, 2026/07/15	5.1
Peak Achievement Athletics Inc., Callable, 6.13%, 2033/09/11	4.7
ATS Corp., Callable, 6.50%, 2032/08/21	4.3
Enbridge Inc., Discount Note, 2.82%, 2026/02/04	3.9
Rivian Holdings LLC, Callable, 10.00%, 2031/01/15	3.6
Wolf Midstream Canada L.P., Callable, 5.95%, 2033/07/18	3.6
WULF Compute LLC, Callable, 7.75%, 2030/10/15	3.3
Tamarack Valley Energy Ltd., Callable, 7.25%, 2027/05/10	3.2
United States Treasury, 3.59%, 2026/04/28	3.2
SHORT POSITIONS	
Vanguard S&P 500 ETF	(8.0)
iShares Russell 2000 ETF	(6.0)
Invesco QQQ Trust, Series '1'	(5.9)
iShares Broad USD High Yield Corporate Bond ETF	(5.6)
iShares iBoxx High Yield Corporate Bond ETF	(5.6)
SPDR Bloomberg High Yield Bond ETF	(5.4)
Park Intermediate Holdings LLC, Callable, 4.88%, 2029/05/15	(4.2)
RLJ Lodging Trust L.P., Callable, 4.00%, 2029/09/15	(4.2)
Ball Corporation, Callable, 3.13%, 2031/09/15	(3.3)
Yum! Brands, Inc., Callable, 3.63%, 2031/03/15	(3.1)

Pender Alternative Absolute Return Fund

For the year ended December 31, 2025

Composition of the Portfolio

	% of Net Assets
LONG POSITIONS	
Canadian corporate bonds and loans	68.1
US corporate bonds and loans	54.8
Government bonds	29.0
Equities	1.6
Foreign corporate bonds and loans	1.5
Preferred shares	0.6
Total long positions	155.6
SHORT POSITIONS	
Exchange-traded fund(s)	(36.5)
US corporate bonds and loans	(22.2)
Government bonds	(3.8)
Equities	(2.9)
Canadian corporate bonds and loans	(1.7)
Total short positions	(67.1)
Total investments	88.5
Derivative liabilities	0.0
Cash (Bank overdraft)	11.9
Other assets less liabilities	(0.4)
Total net assets	100.0

Pender Alternative Absolute Return Fund

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Caution Regarding Forward-Looking Statements

This report contains forward-looking statements about the Fund, 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 Fund 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 Fund and economic factors, among other things.

Forward-looking statements are not a guarantee of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these digressions, including, but not limited to: geopolitical events, general economic conditions, political and market factors around the world; interest rates and inflation; fiscal and monetary policy; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings; catastrophic events.

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



Pender Alternative Absolute Return Fund

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