PENDER
PenderFund Capital Management Ltd.

Pender Alternative Absolute Return Fund

Six months ended June 30, 2026

Semi-Annual Management Report of Fund Performance

This interim Management Report of Fund Performance contains financial highlights but does not contain either the interim financial statements or annual financial statements of the investment fund. You may obtain a copy of the interim financial statements or 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.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

The net assets of the Pender Alternative Absolute Return Fund (the “Fund”) were $658,659,573 as at June 30, 2026 versus $645,370,440 as at December 31, 2025. Of this $13,289,133 increase, $6,368,309 is attributable to positive investment performance and $6,920,824 is attributable to net unitholder purchases of Fund units.

For the six months ended June 30, 2026 (the “period”), Class A units of the Fund generated a total return of 0.5%. Returns for other classes also denominated in Canadian dollars 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 classes denominated in US dollars will differ from their corresponding Canadian denominated class primarily due to foreign currency. Please see the “Past Performance” section for the performance of the Fund’s other classes.

The Fund’s broad-based benchmark, HFRI Credit Index (USD), returned 4.1% during the period. In accordance with National Instrument 81-106, we have included a comparison to this broad-based 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 index. 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 period. 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 first half of the year included Rivian Automotive Inc., Hilton USA Trust, and Tenaz Energy Corp. Conversely, hedges in the iShares Broad USD High Yield Corporate Bond ETF, 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.

Recent Developments

At the midpoint of 2026, fixed income investors face a market that is increasingly nuanced. Returns have been supported by resilient corporate earnings, healthy demand for income, and a reversal of some of the weakness seen earlier in the year. At the same time, the path forward is less straightforward. Policy expectations have shifted, inflation risks remain unresolved, and credit spreads have tightened to levels that leave less room for disappointment.

The rate outlook changed meaningfully throughout the first six months of the year. Early in Q2, geopolitical tension in the Middle East and a spike in oil prices raised concerns that inflation could reaccelerate. As those tensions eased and oil prices declined, markets initially moved toward the view that central banks could remain on pause and potentially ease policy later in the year. That view became more complicated as the quarter progressed. Labour markets remained resilient, corporate earnings were stronger than expected, and significant investment in artificial intelligence infrastructure continued to support nominal growth. In that environment, the market increasingly moved away from expectations for aggressive rate cuts and toward a higher-for-longer policy backdrop.

Credit markets are entering the second half of the year with a constructive fundamental backdrop. Spreads tightened as strong earnings, resilient economic activity, and healthy investor demand outweighed geopolitical concerns. Falling oil prices and easing Middle East tensions also helped improve risk sentiment and supported corporate credit. Balance sheets, earnings quality, and access to capital have been better than many investors feared at the start of the year. In addition, AI-related capital investment has provided a meaningful source of demand and growth support across several sectors. However, tighter spreads reduce the compensation investors receive for unexpected shocks. Credit markets hit resistance levels in June as high yield spreads touched 263 basis points, the lowest levels since January 2025 before widening modestly to close the month. With high yield spreads near cyclical lows in June, the Fund maintained a low exposure to the market. We see high levels of speculation in markets today, similar to early 2021, which set the market up for a significant increase in volatility in the quarters ahead. In our view, the second half of the year requires a more selective approach to credit exposure. Inflation, policy expectations, tariffs, new issuance, and geopolitical risk all have the potential to reprice risk quickly.

Our base case is that volatility increases in the second half of 2026. Several risks remain unresolved, these include renewed inflation pressure, tariff-related uncertainty, geopolitical conflict, the potential for changing Federal Reserve leadership, and questions surrounding a future US-Mexico-Canada (USMCA) agreement. We do not believe markets are pricing in sufficient risk. Volatility measures have fallen meaningfully from levels reached during the initial days of geopolitical stress, even as many of the underlying risks remain active. Recent years have presented a challenging environment for the Fund and 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 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 period, 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 8% 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 9% of the management fees paid by the Fund to the Manager for the period.

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 period and calendar years indicated.

Fund's Net Assets Per Unit (a)

	2026 ($)	2025 ($)	2024 ($)	2023 ($)	2022 ($)	2021 ($)
Class A (formerly Class H)						
Net Assets, beginning of period	8.97	9.37	9.80	10.00	9.99	10.00
Increase (decrease) from operations:						
Total revenue	0.28	0.56	0.69	0.61	0.52	0.47
Total expenses	(0.12)	(0.24)	(0.34)	(0.37)	(0.48)	(0.01)
Realized gains (losses)	0.11	(0.17)	0.51	0.55	0.21	(0.28)
Unrealized gains (losses)	(0.22)	(0.05)	(0.28)	(0.18)	0.23	0.04
Total increase (decrease) from operations (b)	**0.05**	**0.10**	**0.58**	**0.61**	**0.48**	**0.22**
Distributions:						
From income (excluding dividends)	(0.32)	(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)	**(0.32)**	**(0.51)**	**(1.03)**	**(0.87)**	**(0.58)**	**(0.24)**
Net Assets, end of period	**8.70**	**8.97**	**9.37**	**9.80**	**10.00**	**9.99**
Class AF						
Net Assets, beginning of period	9.04	9.44	9.85	10.03	9.99	10.00
Increase (decrease) from operations:						
Total revenue	0.29	0.57	0.71	0.63	0.54	0.07
Total expenses	(0.10)	(0.20)	(0.27)	(0.30)	(0.32)	-
Realized gains (losses)	0.11	(0.16)	0.49	0.55	0.23	(0.01)
Unrealized gains (losses)	(0.23)	(0.06)	(0.26)	(0.14)	0.12	0.13
Total increase (decrease) from operations (b)	**0.07**	**0.15**	**0.67**	**0.74**	**0.57**	**0.19**
Distributions:						
From income (excluding dividends)	(0.34)	(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)	**(0.34)**	**(0.55)**	**(1.07)**	**(0.92)**	**(0.59)**	**(0.23)**
Net Assets, end of period	**8.77**	**9.04**	**9.44**	**9.85**	**10.03**	**9.99**

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

	2026 ($)	2025 ($)	2024 ($)	2023 ($)	2022 ($)	2021 ($)
Class E						
Net Assets, beginning of period	8.81	9.20	9.68	9.92	10.00	
Increase (decrease) from operations:						
Total revenue	0.28	0.55	0.69	0.56	0.38	
Total expenses	(0.03)	(0.09)	(0.18)	(0.43)	(0.07)	
Realized gains (losses)	0.10	(0.16)	0.53	0.46	0.21	
Unrealized gains (losses)	(0.16)	(0.05)	(0.30)	0.03	(0.03)	
Total increase (decrease) from operations (b)	**0.19**	**0.25**	**0.74**	**0.62**	**0.49**	
Distributions:						
From income (excluding dividends)	(0.40)	(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)	**(0.40)**	**(0.65)**	**(1.21)**	**(1.06)**	**(0.58)**	
Net Assets, end of period	**8.52**	**8.81**	**9.20**	**9.68**	**9.92**	
Class F (formerly Class I)						
Net Assets, beginning of period	8.84	9.23	9.68	9.90	9.99	10.00
Increase (decrease) from operations:						
Total revenue	0.28	0.55	0.69	0.60	0.69	(0.01)
Total expenses	(0.08)	(0.15)	(0.25)	(0.32)	(0.41)	-
Realized gains (losses)	0.11	(0.16)	0.50	0.51	0.41	0.02
Unrealized gains (losses)	(0.23)	(0.06)	(0.28)	(0.15)	0.18	0.15
Total increase (decrease) from operations (b)	**0.08**	**0.18**	**0.66**	**0.64**	**0.87**	**0.16**
Distributions:						
From income (excluding dividends)	(0.36)	(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)	**(0.36)**	**(0.59)**	**(1.12)**	**(0.96)**	**(0.73)**	**(0.24)**
Net Assets, end of period	**8.57**	**8.84**	**9.23**	**9.68**	**9.90**	**9.99**
Class FF						
Net Assets, beginning of period	9.01	9.41	9.85	10.04	10.00	10.00
Increase (decrease) from operations:						
Total revenue	0.29	0.57	0.71	0.63	0.53	0.07
Total expenses	(0.05)	(0.11)	(0.19)	(0.21)	(0.24)	-
Realized gains (losses)	0.11	(0.16)	0.48	0.55	0.22	(0.01)
Unrealized gains (losses)	(0.24)	(0.06)	(0.25)	(0.14)	0.15	0.14
Total increase (decrease) from operations (b)	**0.11**	**0.24**	**0.75**	**0.83**	**0.66**	**0.20**
Distributions:						
From income (excluding dividends)	(0.39)	(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)	**(0.39)**	**(0.64)**	**(1.19)**	**(1.02)**	**(0.66)**	**(0.22)**
Net Assets, end of period	**8.72**	**9.01**	**9.41**	**9.85**	**10.04**	**10.00**

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

	2026 ($)	2025 ($)	2024 ($)	2023 ($)	2022 ($)	2021 ($)
Class N						
Net Assets, beginning of period	9.03	9.38	9.80	10.00	9.99	10.00
Increase (decrease) from operations:						
Total revenue	0.29	0.57	0.71	0.58	0.52	0.47
Total expenses	(0.06)	(0.12)	(0.20)	(0.43)	(0.28)	(0.01)
Realized gains (losses)	(2.76)	0.04	0.48	0.78	0.28	(0.28)
Unrealized gains (losses)	2.62	(0.27)	(0.26)	(0.35)	0.20	0.04
Total increase (decrease) from operations (b)	**0.09**	**0.22**	**0.73**	**0.58**	**0.72**	**0.22**
Distributions:						
From income (excluding dividends)	(0.38)	(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)	**(0.38)**	**(0.57)**	**(1.16)**	**(1.00)**	**(0.69)**	**(0.24)**
Net Assets, end of period	**8.74**	**9.03**	**9.38**	**9.80**	**10.00**	**9.99**
Class O						
Net Assets, beginning of period	9.18	9.62	10.03	10.19	9.99	10.00
Increase (decrease) from operations:						
Total revenue	0.29	0.57	0.72	0.65	0.31	0.48
Total expenses	(0.02)	(0.04)	(0.03)	(0.05)	(0.06)	(0.01)
Realized gains (losses)	0.14	(0.28)	0.52	0.56	0.17	(0.29)
Unrealized gains (losses)	(0.32)	0.09	(0.30)	(0.14)	0.43	0.04
Total increase (decrease) from operations (b)	**0.09**	**0.34**	**0.91**	**1.02**	**0.85**	**0.22**
Distributions:						
From income (excluding dividends)	(0.43)	(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)	**(0.43)**	**(0.75)**	**(1.32)**	**(1.17)**	**(0.68)**	**(0.24)**
Net Assets, end of period	**8.88**	**9.18**	**9.62**	**10.03**	**10.19**	**9.99**
Class A (USD) (formerly Class H (USD))						
Net Assets, beginning of period	12.40	13.31	12.88	13.33	13.20	
Increase (decrease) from operations:						
Total revenue	0.40	0.78	0.95	0.67	0.60	
Total expenses	(0.17)	(0.35)	(0.42)	(0.97)	(0.17)	
Realized gains (losses)	0.29	(0.08)	1.07	0.07	0.20	
Unrealized gains (losses)	0.03	(0.59)	0.26	(1.87)	0.35	
Total increase (decrease) from operations (b)	**0.55**	**(0.24)**	**1.86**	**(2.10)**	**0.98**	
Distributions:						
From income (excluding dividends)	(0.44)	(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)	**(0.44)**	**(0.66)**	**(1.50)**	**(1.18)**	**(0.82)**	
Net Assets, end of period	**12.48**	**12.40**	**13.31**	**12.88**	**13.33**	

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

	2026 ($)	2025 ($)	2024 ($)	2023 ($)	2022 ($)	2021 ($)
Class F (USD) (formerly Class I (USD))						
Net Assets, beginning of period	12.36	13.33	12.90	13.54	13.20	
Increase (decrease) from operations:						
Total revenue	0.39	0.78	0.96	0.82	0.30	
Total expenses	(0.11)	(0.22)	(0.38)	(0.47)	(0.50)	
Realized gains (losses)	0.39	0.06	1.17	0.85	0.18	
Unrealized gains (losses)	(0.33)	(0.84)	0.19	(0.46)	0.24	
Total increase (decrease) from operations (b)	**0.34**	**(0.22)**	**1.94**	**0.74**	**0.22**	
Distributions:						
From income (excluding dividends)	(0.47)	(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)	**(0.47)**	**(0.81)**	**(1.62)**	**(1.45)**	**(0.70)**	
Net Assets, end of period	**12.44**	**12.36**	**13.33**	**12.90**	**13.54**	

(a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under IFRS Accounting Standards.
(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 period.
(c) Distributions were paid in cash and/or reinvested in additional units of the Fund.

Ratios and Supplemental Data

	2026	2025	2024	2023	2022	2021
Class A (formerly Class H)						
Total net asset value ($000s) (a)	41,170	48,965	17,741	9,405	3,778	5
Number of units outstanding (a)	4,734,681	5,460,428	1,893,112	960,154	378,047	512
Management expense ratio before performance fee (b)	2.18%	2.20%	2.21%	2.17%	2.10%	0.00%
Management expense ratio (b)	2.18%	2.20%	3.10%	3.25%	4.18%	0.00%
Management expense ratio before absorptions (c)	2.18%	2.20%	3.10%	3.25%	4.18%	2.10%
Trading expense ratio (d)	0.50%	0.44%	0.34%	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	54.48%	145.41%	131.26%	251.99%	186.73%	122.86%
Net asset value per unit ($) (a)	8.70	8.97	9.37	9.80	10.00	9.99
Class AF						
Total net asset value ($000s) (a)	4,099	5,617	7,491	8,699	8,865	2,651
Number of units outstanding (a)	467,449	621,164	793,497	882,806	884,052	265,312
Management expense ratio before performance fee (b)	1.75%	1.75%	1.75%	1.75%	1.76%	0.00%
Management expense ratio (b)	1.75%	1.75%	2.42%	2.54%	2.67%	0.00%
Management expense ratio before absorptions (c)	1.75%	1.75%	2.42%	2.54%	2.67%	1.75%
Trading expense ratio (d)	0.50%	0.44%	0.34%	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	54.48%	145.41%	131.26%	251.99%	186.73%	122.86%
Net asset value per unit ($) (a)	8.77	9.04	9.44	9.85	10.03	9.99

Ratios and Supplemental Data (cont'd)

	2026	2025	2024	2023	2022	2021
Class E						
Total net asset value ($000s) (a)	2,364	3,319	2,998	2,370	167	
Number of units outstanding (a)	277,305	376,667	325,972	244,889	16,829	
Management expense ratio before performance fee (b)	0.21%	0.50%	0.53%	0.53%	0.54%	
Management expense ratio (b)	0.21%	0.50%	1.51%	3.94%	1.42%	
Management expense ratio before absorptions (c)	0.21%	0.50%	1.51%	3.94%	1.43%	
Trading expense ratio (d)	0.50%	0.44%	0.34%	0.45%	0.63%	
Portfolio turnover rate (e)	54.48%	145.41%	131.26%	251.99%	186.73%	
Net asset value per unit ($) (a)	8.52	8.81	9.20	9.68	9.92	
Class F (formerly Class I)						
Total net asset value ($000s) (a)	495,555	496,734	327,378	234,011	52,440	131
Number of units outstanding (a)	57,834,887	56,186,100	35,460,558	24,179,105	5,298,794	13,156
Management expense ratio before performance fee (b)	1.25%	1.25%	1.24%	1.22%	1.21%	0.00%
Management expense ratio (b)	1.25%	1.25%	2.24%	2.74%	3.45%	0.00%
Management expense ratio before absorptions (c)	1.25%	1.25%	2.24%	2.74%	3.46%	1.22%
Trading expense ratio (d)	0.50%	0.44%	0.34%	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	54.48%	145.41%	131.26%	251.99%	186.73%	122.86%
Net asset value per unit ($) (a)	8.57	8.84	9.23	9.68	9.90	9.99
Class FF						
Total net asset value ($000s) (a)	43,069	51,036	67,933	73,805	75,547	32,660
Number of units outstanding (a)	4,937,269	5,663,190	7,221,730	7,493,720	7,530,069	3,265,237
Management expense ratio before performance fee (b)	0.70%	0.70%	0.70%	0.70%	0.71%	0.00%
Management expense ratio (b)	0.70%	0.70%	1.56%	1.65%	1.78%	0.00%
Management expense ratio before absorptions (c)	0.70%	0.70%	1.56%	1.65%	1.79%	0.70%
Trading expense ratio (d)	0.50%	0.44%	0.34%	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	54.48%	145.41%	131.26%	251.99%	186.73%	122.86%
Net asset value per unit ($) (a)	8.72	9.01	9.41	9.85	10.04	10.00
Class N						
Total net asset value ($000s) (a)	5	5	4,301	4,796	270	5
Number of units outstanding (a)	612	586	458,694	489,296	26,961	512
Management expense ratio before performance fee (b)	0.89%	0.84%	0.84%	0.84%	0.84%	0.00%
Management expense ratio (b)	0.89%	0.84%	1.66%	3.77%	2.13%	0.00%
Management expense ratio before absorptions (c)	0.89%	0.84%	1.66%	3.77%	2.13%	0.88%
Trading expense ratio (d)	0.50%	0.44%	0.34%	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	54.48%	145.41%	131.26%	251.99%	186.73%	122.86%
Net asset value per unit ($) (a)	8.74	9.03	9.38	9.80	10.00	9.99

Ratios and Supplemental Data (cont'd)

	2026	2025	2024	2023	2022	2021
Class O						
Total net asset value ($000s) (a)	51,433	21,359	5,694	3,757	3,966	5,283
Number of units outstanding (a)	5,792,083	2,327,233	591,666	374,488	389,478	528,823
Management expense ratio before performance fee (b)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio (b)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio (d)	0.50%	0.44%	0.34%	0.45%	0.63%	0.16%
Portfolio turnover rate (e)	54.48%	145.41%	131.26%	251.99%	186.73%	122.86%
Net asset value per unit ($) (a)	8.88	9.18	9.62	10.03	10.19	9.99
Class A (USD) (formerly Class H (USD))						
Total net asset value ($000s) (a)	1,001	910	1,100	536	7	
Number of units outstanding (a)	80,202	73,370	82,606	41,603	531	
Management expense ratio before performance fee (b)	2.25%	2.26%	2.10%	2.10%	2.12%	
Management expense ratio (b)	2.25%	2.26%	2.83%	6.88%	2.96%	
Management expense ratio before absorptions (c)	2.25%	2.26%	2.83%	6.88%	2.96%	
Trading expense ratio (d)	0.50%	0.44%	0.34%	0.45%	0.63%	
Portfolio turnover rate (e)	54.48%	145.41%	131.26%	251.99%	186.73%	
Net asset value per unit ($) (a)	12.48	12.40	13.31	12.88	13.33	
Class F (USD) (formerly Class I (USD))						
Total net asset value ($000s) (a)	19,965	17,426	13,183	10,512	957	
Number of units outstanding (a)	1,604,680	1,409,768	988,712	814,592	70,730	
Management expense ratio before performance fee (b)	1.27%	1.22%	1.22%	1.21%	1.22%	
Management expense ratio (b)	1.27%	1.27%	2.50%	2.97%	10.44%	
Management expense ratio before absorptions (c)	1.27%	1.27%	2.50%	2.97%	10.45%	
Trading expense ratio (d)	0.50%	0.44%	0.34%	0.45%	0.63%	
Portfolio turnover rate (e)	54.48%	145.41%	131.26%	251.99%	186.73%	
Net asset value per unit ($) (a)	12.44	12.36	13.33	12.90	13.54	

(a) This information is derived from the Fund's unaudited semi-annual financial statements as at June 30 and audited annual financial statements as at December 31 for the period stated, prepared under IFRS Accounting Standards.
(b) Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the period and is expressed as an annualized percentage of daily average net asset value during the period. 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 period.
(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 period.
(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 period. In general, the higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

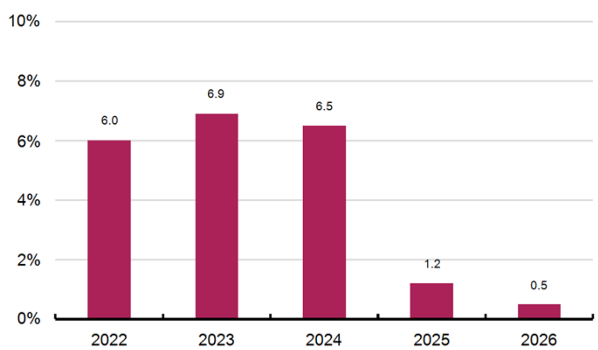
Past Performance

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.

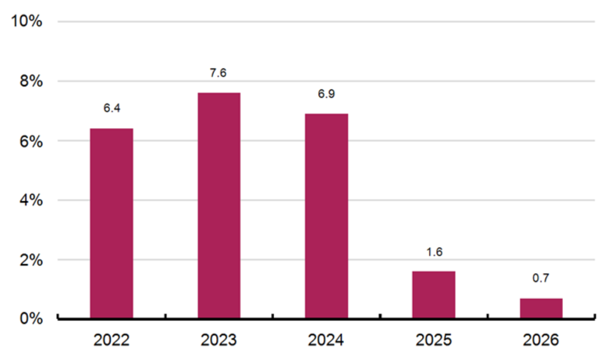
Period-by-Period Returns

To illustrate how the Fund's performance has varied over time, the following bar charts show the Fund's performance for the six-month period ended June 30, 2026 and for each of the previous 12-month periods ended December 31. 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 period would have increased or decreased by the last day of the period.

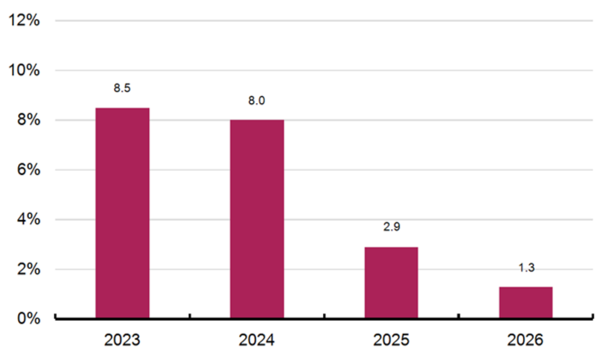
Class A (formerly Class H)



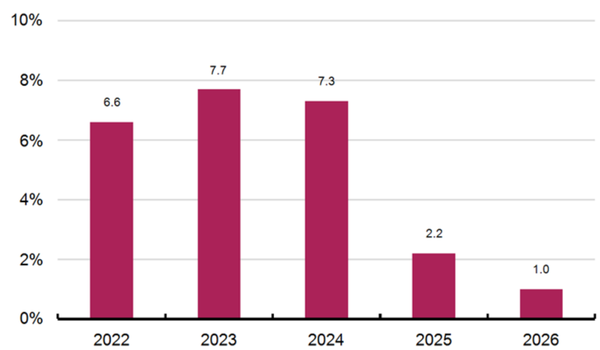
Class AF



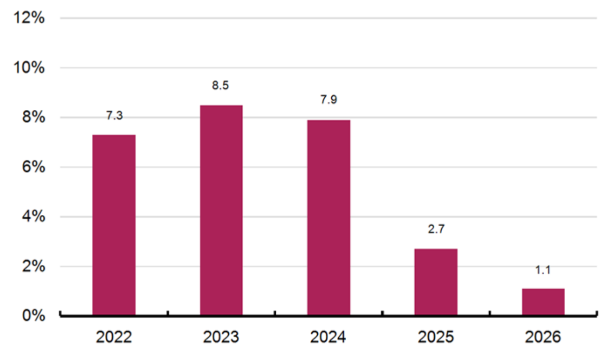
Class E



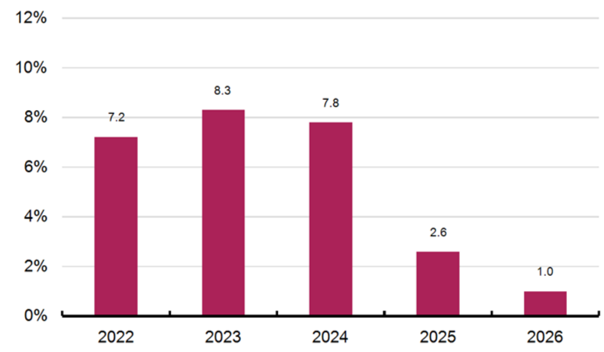
Class F (formerly Class I)



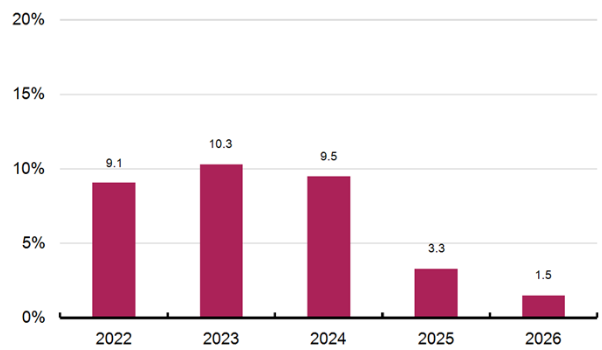
Class FF



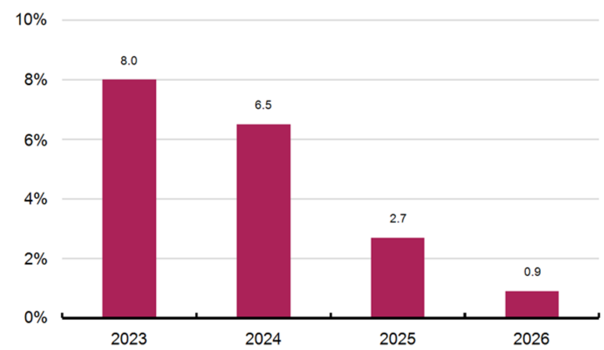
Class N



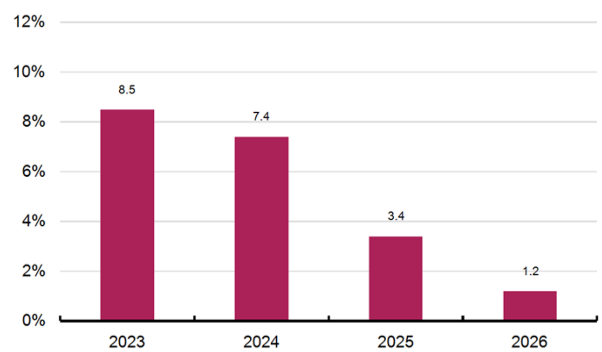
Class O



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



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



Summary of Investment Portfolio

The largest holdings of the Fund as at the end of the period 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, 3.69%, 2026/07/28	8.5
Government of Canada, 2.25%, 2028/02/01	7.5
Sunoco L.P., Callable, 6.00%, 2028/06/22	6.8
Hilton USA Trust, Class 'F', Series '16-HHV', 4.33%, 2038/11/05	6.5
Enbridge Inc., Discount Note, 2.82%, 2026/07/16	5.4
Kraken Oil & Gas Partners LLC, Callable, 7.13%, 2031/05/15	4.8
Peak Achievement Athletics Inc., Callable, 6.13%, 2033/09/11	4.8
Saturn Oil & Gas Inc., Callable, 9.63%, 2029/06/15	4.6
Wolf Midstream Canada L.P., Callable, 5.95%, 2033/07/18	4.6
Rivian Holdings LLC, Callable, 10.00%, 2031/01/15	4.3
Gee Automotive Holdings LLC, Callable, 7.25%, 2031/03/01	3.7
Tenaz Energy Corp., Callable, 12.00%, 2029/11/14	3.7
ATS Corp., Callable, 6.50%, 2032/08/21	3.4
Enbridge Inc., Discount Note, 4.05%, 2026/07/14	3.4
PR RNO Property Owner 1 LLC, Sinkable, Callable, 6.50%, 2031/05/01	3.4
Enbridge Inc., Discount Note, 2.82%, 2026/07/23	3.3
SHORT POSITIONS	
Vanguard S&P 500 ETF	(8.9)
iShares Russell 2000 ETF	(7.4)
iShares Broad USD High Yield Corporate Bond ETF	(6.5)
Invesco QQQ Trust, Series '1'	(6.3)
iShares iBoxx High Yield Corporate Bond ETF	(6.0)
SPDR Bloomberg High Yield Bond ETF	(5.4)
RLJ Lodging Trust L.P., Callable, 4.00%, 2029/09/15	(4.3)
Park Intermediate Holdings LLC, Callable, 4.88%, 2029/05/15	(4.2)
Ball Corporation, Callable, 3.13%, 2031/09/15	(3.3)

Composition of the Portfolio

	% of Net Assets
LONG POSITIONS	
Canadian corporate bonds and loans	68.3
US corporate bonds and loans	53.4
Government bonds	16.1
Foreign corporate bonds and loans	2.5
Total long positions	**140.3**
SHORT POSITIONS	
US corporate bonds and loans	(24.5)
Government bonds	(3.9)
Canadian corporate bonds and loans	(2.7)
Common shares	
Consumer discretionary	(0.4)
Financial services	(0.5)
Total common shares	**(0.9)**
Exchange-traded fund(s)	(40.5)
Total short positions	**(72.5)**
Total investments	**67.8**
Currency forwards	(0.3)
Total derivative liabilities	**(0.3)**
Cash (Bank overdraft)	32.4
Other assets less liabilities	0.1
Total net assets	**100.0**

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

MANAGED BY:
PENDERFUND CAPITAL MANAGEMENT LTD.
1830 – 1066 West Hastings St. Vancouver, BC V6E 3X2
TELEPHONE 604 688-1511 FACSIMILE 604 563-3199 TOLL FREE 1 866 377-4743
www.penderfund.com