PenderFund Capital Management Ltd.

Pender US Small/Mid Cap Equity 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 US Small/Mid Cap Equity Fund (the "Fund") were $1,963,253 as at June 30, 2026 versus $1,425,710 as at December 31, 2025. Of this $537,543 increase, $241,431 is attributable to positive investment performance and $296,112 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 15.5%. 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 and performance fees that are applicable to different classes. Please see the "Past Performance" section for the performance of the Fund's other classes.

The Fund's broad-based benchmark, the S&P Mid Cap 400 TR CAD Index returned 21.4% during the period. In accordance with National Instrument 81-106, we have included a comparison to this broad based index 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.

As at the end of the period, the Fund was 96.6% invested in the US, other assets less liabilities of 0.0% and had cash of 3.4%. The Fund's investment portfolio is concentrated and not diversified in the conventional sense. The Fund's top 10 holdings account for 35.1% of the Fund's net assets at the end of the period. This concentration may lead to varied results over any given period.

The overall sector exposure of the Fund is determined by stock selection decisions and may shift from time to time. As at June 30, 2026 we were weighted toward holdings in the Industrials, Information Technology, and Consumer Staples sectors because, currently, those are the sectors where we believe we are finding the best investment opportunities and, equally important, because they contain businesses for which we are best equipped to assess value. These top three sectors accounted for 59.0% of the Fund at the end of the period.

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 relative to its benchmark was mainly due to an overweight in the Consumer Staples sector and an underweight in the Health Care sector. We do not actively manage sector weights in the Fund, rather, our sector weightings are determined by individual stock selection through bottom-up fundamental investment process. We seek to own stocks where our estimated range for the long-term intrinsic value of the business is higher than the current share price.

Key positive individual contributors to the Fund's performance during the first half of the year included Generac Holdings Inc., and Rambus Inc. Conversely, Genpact Ltd., and Burford Capital Ltd., were among the largest detractors.

Portfolio transactions during the period were made based on our stock selection process. In general, we increased the weightings of individual stocks where we determined the price relative to our estimate of intrinsic value had increased and decreased the weightings of companies that offered a less attractive return profile. We are constantly looking for new investment ideas and examples of new investments during the first half of the year included Copart Inc., and Western Alliance Bancorp. We may liquidate our positions for various reasons, such as when share prices have reached our assessment of fair value, when an acquisition has occurred, or where we have changed our investment thesis. For example, during the first half of the year, we sold our position in FactSet Research Systems Inc.

Recent Developments

Equity markets delivered solid performance in the first half of 2026, though not without periods of volatility. The US/Israel-Iran conflict emerged as the dominant macro factor, disrupting global supply chains and triggering a systemic energy supply shock following the effective closure of the Strait of Hormuz. US markets were further shaped by extreme concentration in AI winners, a sharp geopolitical drawdown in late February, and a significant shift in monetary policy expectations. While the S&P 500 reached new records by mid-year, its performance was driven by a narrow group of top holdings.

The Information Technology sector remained a primary driver of returns, but the theme shifted from broad hype to focus on tangible earnings from AI infrastructure. Performance leadership flipped from hyperscalers to "picks and shovels" plays such as semiconductors, memory, and related tech.

Small-cap equities, as measured by the Russell 2000 Index, emerged as major outperformers in the first half of 2026, gaining approximately 21% compared to the S&P 500's 9% return, fueled by strengthening economic fundamentals and accelerating jobs growth. This outperformance was jagged, however: small-caps initially lagged in early 2026 as rising 10-year Treasury yields acted as a headwind, before breaking out of their range relative to large-caps mid-year. The turn also marked a broader inflection after several years of underperformance. Consensus earnings growth estimates improved, and 2027 estimates for small-caps now outstrip those for the S&P 500, as relatively inexpensive valuations versus large-caps were finally rewarded. Still, we don't believe this upside has fully played out, and we continue to monitor this dynamic closely as part of our portfolio allocation process.

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”).

As at the end of the period, parties related to the Manager collectively held 31% of the Fund’s 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.

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 ($)
Class A			
Net Assets, beginning of period	10.66	9.70	10.00
Increase (decrease) from operations:			
Total revenue	0.05	0.11	0.02
Total expenses	(0.01)	(0.02)	-
Realized gains (losses)	0.95	0.16	-
Unrealized gains (losses)	0.66	1.49	(0.31)
Total increase (decrease) from operations (b)	**1.65**	**1.74**	**(0.29)**
Distributions:			
From income (excluding dividends)	-	(0.07)	(0.01)
From dividends	-	-	-
From capital gains	-	(0.20)	-
Return of capital	-	-	-
Total distributions (b), (c)	**-**	**(0.27)**	**(0.01)**
Net Assets, end of period	**12.32**	**10.66**	**9.70**

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

	2026 ($)	2025 ($)	2024 ($)
Class E			
Net Assets, beginning of period	10.67	9.70	10.00
Increase (decrease) from operations:			
Total revenue	0.05	0.11	0.02
Total expenses	(0.01)	(0.02)	-
Realized gains (losses)	0.93	0.40	0.01
Unrealized gains (losses)	0.69	2.24	(0.33)
Total increase (decrease) from operations (b)	**1.66**	**2.73**	**(0.30)**
Distributions:			
From income (excluding dividends)	-	(0.07)	(0.01)
From dividends	-	-	-
From capital gains	-	(0.20)	-
Return of capital	-	-	-
Total distributions (b), (c)	**-**	**(0.27)**	**(0.01)**
Net Assets, end of period	**12.33**	**10.67**	**9.70**
Class F			
Net Assets, beginning of period	10.66	9.70	10.00
Increase (decrease) from operations:			
Total revenue	0.05	0.11	0.02
Total expenses	(0.01)	(0.02)	-
Realized gains (losses)	0.96	(0.01)	0.01
Unrealized gains (losses)	0.66	0.78	(0.38)
Total increase (decrease) from operations (b)	**1.66**	**0.86**	**(0.35)**
Distributions:			
From income (excluding dividends)	-	(0.07)	(0.01)
From dividends	-	-	-
From capital gains	-	(0.20)	-
Return of capital	-	-	-
Total distributions (b), (c)	**-**	**(0.27)**	**(0.01)**
Net Assets, end of period	**12.32**	**10.66**	**9.70**

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

	2026 ($)	2025 ($)	2024 ($)
Class O			
Net Assets, beginning of period	10.67	9.70	10.00
Increase (decrease) from operations:			
Total revenue	0.05	0.10	0.02
Total expenses	(0.01)	(0.02)	-
Realized gains (losses)	0.95	0.08	-
Unrealized gains (losses)	0.67	1.08	(0.31)
Total increase (decrease) from operations (b)	**1.66**	**1.24**	**(0.29)**
Distributions:			
From income (excluding dividends)	-	(0.07)	(0.01)
From dividends	-	-	-
From capital gains	-	(0.20)	-
Return of capital	-	-	-
Total distributions (b), (c)	**-**	**(0.27)**	**(0.01)**
Net Assets, end of period	**12.33**	**10.67**	**9.70**

(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
Class A			
Total net asset value ($000s) (a)	78	68	5
Number of units outstanding (a)	6,354	6,354	500
Management expense ratio (b)	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	2.30%	2.27%	2.37%
Trading expense ratio (d)	0.03%	0.05%	0.35%
Portfolio turnover rate (e)	32.64%	48.02%	1.18%
Net asset value per unit ($) (a)	12.32	10.66	9.70
Class E			
Total net asset value ($000s) (a)	1,145	864	116
Number of units outstanding (a)	92,866	80,962	11,949
Management expense ratio (b)	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	0.32%	0.32%	0.33%
Trading expense ratio (d)	0.03%	0.05%	0.35%
Portfolio turnover rate (e)	32.64%	48.02%	1.18%
Net asset value per unit ($) (a)	12.33	10.67	9.70
Class F			
Total net asset value ($000s) (a)	569	346	26
Number of units outstanding (a)	46,183	32,479	2,638
Management expense ratio (b)	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	1.27%	1.21%	1.28%
Trading expense ratio (d)	0.03%	0.05%	0.35%
Portfolio turnover rate (e)	32.64%	48.02%	1.18%
Net asset value per unit ($) (a)	12.32	10.66	9.70

Ratios and Supplemental Data (cont'd)

	2026	2025	2024
Class O			
Total net asset value ($000s) (a)	171	148	131
Number of units outstanding (a)	13,860	13,860	13,512
Management expense ratio (b)	0.00%	0.00%	0.00%
Management expense ratio before absorptions (c)	0.00%	0.00%	0.00%
Trading expense ratio (d)	0.03%	0.05%	0.35%
Portfolio turnover rate (e)	32.64%	48.02%	1.18%
Net asset value per unit ($) (a)	12.33	10.67	9.70

(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.
(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.

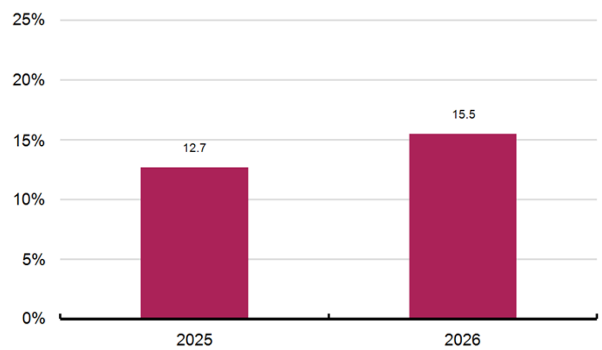
Past Performance

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.

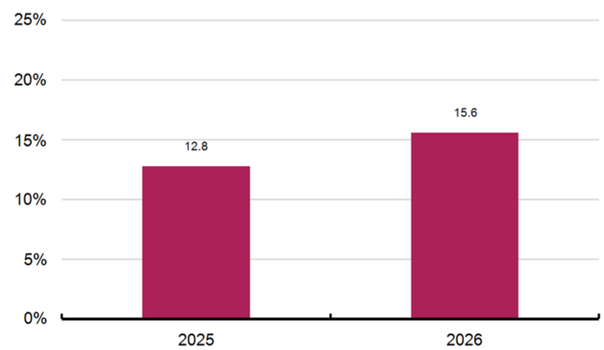
Period-by-Period Returns

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.

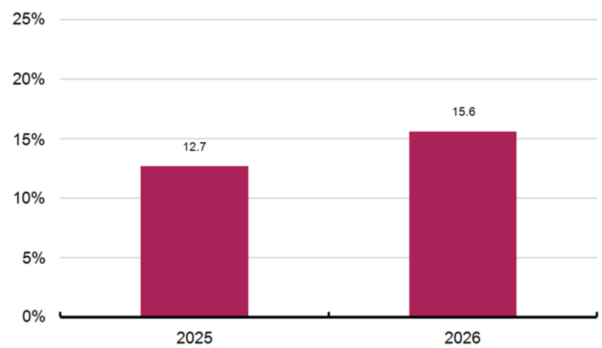
Class A



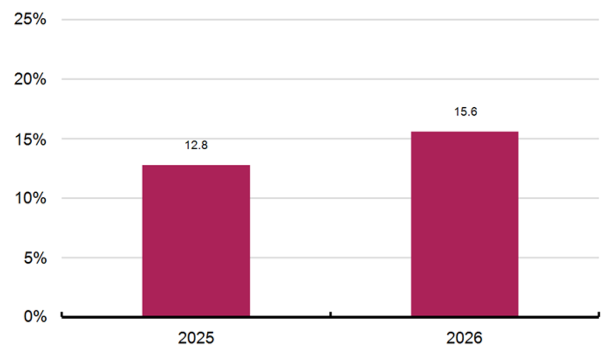
Class E



Class F



Class O



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
StandardAero Inc.	4.8
Dollar Tree Inc.	3.8
Fluor Corp.	3.7
Generac Holdings Inc.	3.6
Rambus Inc.	3.4
Maplebear Inc.	3.3
Mercury General Corp.	3.2
Deckers Outdoor Corp.	3.1
International Flavors & Fragrances Inc.	3.1
Jabil Inc.	3.1
Modine Manufacturing Co.	3.1
Watts Water Technologies Inc., Class 'A'	3.1
Western Alliance Bancorp.	3.1
Copa Holdings SA, Class 'A'	3.0
Estée Lauder Companies Inc. (The), Class 'A'	3.0
Euronet Worldwide, Inc.	3.0
Hexcel Corp.	3.0
LSI Industries Inc.	3.0
Markel Corp.	3.0
Addus HomeCare Corp.	2.9
Evercore Inc., Class 'A'	2.9
VeriSign Inc.	2.9
Ero Copper Corp.	2.8
Antero Resources Corp.	2.6
Microchip Technology Inc.	2.6

Composition of the Portfolio

	% of Net Assets
Common shares	
Industrials	34.4
Information technology	14.5
Consumer staples	10.1
Insurance	8.3
Financial services	8.0
Health care	6.6
Materials	5.9
Banks	3.1
Consumer discretionary	3.1
Energy	2.6
Total common shares	**96.6**
Total investments	**96.6**
Cash (Bank overdraft)	3.4
Other assets less liabilities	0.0
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
PenderFund Capital Management Ltd.

Pender US Small/Mid Cap Equity Fund

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