MANAGEMENT'S DISCUSSION & ANALYSIS

PENDER GROWTH FUND INC.

Three months and six months ended June 30, 2021

PENDER

TABLE OF CONTENTS

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated August 27, 2021 presents a review of the unaudited financial results for Pender Growth Fund Inc. ("Pender" or the "Company") for the three months and six months ended June 30, 2021 and assesses factors that may affect future results. The financial condition and results of operations are analyzed and significant factors that affected Pender's statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows are discussed.

The MD&A is supplementary information and should be read in conjunction with Pender's unaudited condensed interim financial statements and the notes thereto for the three months and six months ended June 30, 2021 (the "Condensed Interim Financial Statements") and Pender's audited financial statements and the notes thereto for the year ended December 31, 2020 (the "Annual Audited Financial Statements"). All amounts shown in this MD&A are presented in Canadian dollars unless otherwise specified.

The MD&A has been prepared by PenderFund Capital Management Ltd. (the "Manager") and is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, which is made up of three directors, a majority of whom are independent directors. The Audit Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

Additional information about Pender is available on the SEDAR website at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements about the Company, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies or prospects and possible future Company action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Company and economic factors, among other things. Forward looking statements in this MD&A include, without limitation: statements with respect to the future performance of the Company's Portfolio Companies; future transactions involving its existing Portfolio Companies (including acquisitions of such Portfolio Companies) or potential future Portfolio Companies or other future transactions, and/or proposed transactions; the Company's investment approach, objectives and strategies, including its focus on specific sectors; the structuring of its investments and its expectations regarding the performance of certain sectors.

Forward-looking statements are not guarantees of future performance and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these differences, including but not limited to: the ability of the Company to source additional investments; risks related to the emerging technology sector and the high proportion of companies from this sector in the portfolio; the ability to dispose of investments in private companies rapidly or at favourable prices; risks inherent in a concentrated portfolio, the availability of an active trading market for the Company's Class C shares; general economic, political and public market factors in North America and internationally; interest and foreign exchange rates; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings; global pandemics and 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 or future events, or otherwise, prior to the release of the next MD&A.

Business Strategy

Pender is an investment entity that trades on the TSX Venture Exchange. Its objective is to provide its investors with long-term capital appreciation. Pender invests opportunistically in a concentrated portfolio of securities of both public and private companies (each a "Portfolio Company"). In its quest for long-term capital appreciation, the Manager thoroughly evaluates the long-term business prospects of each potential Portfolio Company and works to understand its current value as well as its value over the long-term investment horizon. This long-term focus is a primary factor in Pender's investment strategy, regardless of whether a Portfolio Company is publicly listed or private. Pender may also invest in special situations, for example, using available cash to take advantage of opportunities with attractive internal rates of return. Pender's strategy is to buy securities that it believes are mispriced and that have the potential to compound capital, either through the convergence from current market price to intrinsic value or through the growth of intrinsic value over time, or through a combination of both.

Pender's mandate provides it with the flexibility to invest in securities that it believes to have the highest potential risk adjusted returns at the time of investment. It is important to note that Pender defines risk as a permanent loss of capital, which differs from volatility risk. This flexible mandate allows Pender to take advantage of market cycles and different security types that it believes may have the potential to benefit its shareholders. Market cycles can provide opportunity as, from time-to-time, different industries, company stages or security types may become out of favour and attractively priced. Pender may invest in both newly established and later-stage businesses across a wide array of industries and security types, depending on the opportunity. The majority of Pender's investments will be in common equity or preferred equity securities, but it may make smaller allocations to convertible debt, corporate debt or other securities.

Non-IFRS Measures

The Company prepares and releases Condensed Interim Financial Statements and Annual Audited Financial Statements in accordance with IFRS. In this MD&A, we complement those IFRS disclosures with a number of the key indicators that we use to evaluate the performance and condition of our business. These supplementary key performance indicators include Net Assets, Net Assets per Share, Management Expense Ratio and Trading Expense Ratio. They are not recognized under IFRS nor do they have a standard meaning prescribed by IFRS. We present them to enhance the reader's ability to evaluate the Company. They may not be directly comparable to similar measures used by other companies and readers are cautioned not to view the non-IFRS measures as alternatives to IFRS measures. It should be noted that the Company also uses two non-IFRS measures, Reporting NAV and Reporting NAV per Share as described in the "Recent Developments" section of this MD&A.

Net Assets

The Company uses two financial measures that are individually recognized under IFRS, assets and liabilities, to calculate Net Assets, which is a non-IFRS measure. The calculation of Net Assets as at June 30, 2021 and December 31, 2020 is presented in the following table:

Net Assets	June 30, 2021	December 31, 2020
Assets	$ 87,556,513	$ 48,429,247
LESS: Liabilities	30,936,942	1,175,057
EQUALS Net Assets	$ 56,619,571	$ 47,254,190

Net Assets per Share

The Company uses three financial measures that are individually recognized under IFRS, assets, liabilities and number of shares outstanding, to calculate Net Assets per Share, which is a non-IFRS measure. The calculation of Net Assets per Share, as at June 30, 2021 and December 31, 2020 is presented in the following table:

Net Assets per Share	June 30, 2021	December 31, 2020
Assets	$ 87,556,513	$ 48,429,247
LESS: Liabilities	30,936,942	1,175,057
EQUALS Net Assets	$ 56,619,571	$ 47,254,190
DIVIDED BY Number of Shares Outstanding	7,626,529	7,740,129
EQUALS Net Assets per Share	$ 7.42	$ 6.11

Management Expense Ratio

The Company uses Management Expense Ratio ("MER") to represent the total amount of management fees and operating expenses, including sales taxes and interest but excluding corporate taxes, commission and other portfolio transaction costs (together, the "MER Costs") that is borne by the Class C shareholders. The MER is an annualized percentage calculated by dividing total MER Costs by the average Net Assets.

Trading Expense Ratio

The Company uses Trading Expense Ratio ("TER") to represent the total amount of commissions and other portfolio transaction costs (the "TER Costs") that is borne by the Class C shareholders. The TER is an annualized percentage calculated by dividing total TER Costs by the average Net Assets.

It should also be noted that total shareholders' equity which is calculated under IFRS for financial reporting purposes may be different from the monthly reported net asset value per share ("Reporting NAV").

Risk Factors

An investment in Pender is suitable for investors that have a high tolerance for risk and a long-term investment horizon.

COVID-19

The COVID-19 global health pandemic and the negative impact of measures taken to contain the virus resulted in significant volatility and turmoil in World markets in early 2020. This was mitigated, to an extent, by fiscal and monetary stimulus, measures taken to reopen world economies, and the development and rollout of vaccines. The situation had an impact on many entities and the markets for the securities that they issue and the impact may continue. Investment results will depend on future developments and new information that may emerge regarding COVID-19 and its variants, factors which are beyond the Company's control.

Investments

Historically, Pender's investments were focused in early-stage technology companies. The prospects for success of emerging technology companies are critically dependent on numerous factors that may be difficult to evaluate, especially when they have limited operating histories. Investments in emerging technology companies are inherently risky, and in the case of failed businesses, may result in the total loss of the capital invested by Pender in a Portfolio Company. The technology companies in which Pender invests will typically require additional capital, which Pender may not be able to provide, or which may not be available from other sources.

At June 30, 2021, approximately 26.6% of Pender's portfolio was comprised of investments in public companies. Public company securities prices are influenced by the company's performance outlook, market activity and the larger economic picture. When the economy is expanding, the outlook for many companies will generally be good and the value of their stocks should rise. The opposite may also be true. Usually, the greater the potential reward, the greater the risk.

For small companies, start-ups, resource companies and companies in emerging sectors, the risks and potential rewards are usually greater. The share prices of such companies are often more volatile than the share price of larger, more established companies. Some of the products and services offered by technology companies, for example, can become obsolete as science and technology advance. Certain convertible securities may also be subject to interest rate risk.

Private Companies, by their nature, will generally lack liquidity and involve a longer than usual investment time horizon. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts.

Although M&A markets showed signs of reviving recently, M&A activity was at a very low level in 2020, with few exits and an extension of holding periods for private equity investments, as sellers continued to wait for the uncertainty resulting from the global pandemic to be resolved.

At June 30, 2021, private companies comprised 73.4% of Pender's investment portfolio. It may be relatively difficult for Pender to dispose of its investment in any private company rapidly at favourable prices due to adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts. Losses are typically realized before gains, and Pender may be required to dispose of Portfolio Companies before any returns are realized.

Pender faces competition from many other capital providers and there can be no assurance that suitable investments will be found. Despite the number of sources of private capital, financing for early-stage technology companies remains limited and is subject to pricing and terms that are based on the performance of the investee company, among other factors, and what is available may be on terms unfavourable to existing shareholders of these companies.

WOF Transaction

Effective May 28, 2021, the Company completed a transaction (the “WOF Transaction”) pursuant to which it acquired 100% of the Commercialization Series shares and 97% of the Venture Series shares of the Working Opportunities Fund (EVCC) Ltd. ("WOF"), as further described in the Recent Developments section of this MD&A. The investment in WOF increased the Company's holdings of private companies to 73.4% of its aggregate investment portfolio. Investments in private companies are inherently subject to the risks and uncertainties above.

The terms of the WOF Transaction also provide for the Company to make additional cash payments if certain conditions arise on or before May 18, 2022.

In conjunction with the WOF Transaction, the Company entered into a three-year credit facility agreement with a Canadian chartered bank that allows Pender to draw up to $10 million. Pender drew $5,000,000 on the facility to fund part of the first payment required under the WOF Transaction. The use of leverage can magnify gains on investments, but it can also magnify losses. Interest expense and other costs may not be recovered if gains on investments are insufficient. The use of leverage may require the Company to liquidate portfolio positions when it may not be advantageous to do so, in order to meet covenants or satisfy debt obligations. Other risks include the relatively high proportion of early-stage technology company investments in the portfolio, industry concentration and the relatively small number of investments in the portfolio.

Class C Shares

The Company’s Class C Shares are not redeemable. The Class C Shares trade on the TSX Venture Exchange (the “TSXV”) under the ticker “PTF”. An active trading market for the Class C Shares may not be available, which may significantly impact the liquidity of those shares. The Net Assets per Share of the Class C Shares fluctuates with the Net Assets per Share of the Company. Even if an active trading market for Class C Shares is available, the market price of such shares may not enable shareholders to dispose of their shares at a reasonable price relative to the Net Assets per Share of the shares.

The risks associated with an investment in Pender are more fully described in its Annual Information Form dated April 29, 2020 under the heading “Risk Factors”. Reference should also be made to the “Caution Regarding Forward-Looking Statements” section at the beginning of this document.

Recent Developments

COVID-19

The COVID-19 global health pandemic that began in late 2019 resulted in the implementation of measures to contain the virus, including quarantines, travel restrictions and restrictions on the operation of stores and facilities in most of the world, including temporary, intermittent closures. The negative economic impact of these measures together with the uncertainty of the situation led to significant volatility in equity markets, increasing the exposure of the Company to risk, particularly liquidity risk, market risk and investment risk. While governmental initiatives to reduce the economic impact, ongoing research and development of vaccines and the progress of vaccine rollouts have mitigated volatility, exposure to investment risk and financial results will depend, to a large extent, on future developments and new information that may emerge regarding COVID-19 and its variants, factors that are beyond the Company’s control. Given the nature and extent of the crisis, it is difficult to estimate the ultimate impact or duration of the situation on the Company.

Investments

We cannot control stock prices or volatility. However, we can and do control our disciplined investment process. As we run a concentrated investment portfolio, we only need to hold a relatively small number of good companies acquired at a good prices to drive performance. We continue to look for best ideas, those that we think will benefit from the tailwinds caused by changes in behaviour, that could be potential disruptors or leaders on the other side of the global crisis, and that trade at significant discounts to intrinsic values.

Global markets seem to be relatively stronger in general and we are pleased to see private technology companies from within our portfolio having the opportunity to go public.

In February, our Portfolio Company Tantalus Systems Holding Inc. successfully completed a listing on the TSXV. In March, BuildDirect.com Techologies Inc. (“BuildDirect”), another Portfolio Company, announced that that it entered into a definitive agreement with VLCTY Capital Inc. (TSXV: VLCTY), a capital pool company listed on the TSXV to complete a reverse takeover transaction. In connection with this announcement, the Portfolio Company announced in May that it closed a $20.1 million offering of subscription receipts. The transaction closed on August 16, 2021 and the resulting issuer now trades on the TSXV under the symbol “BILD”.

We are long-term, high-conviction investors but when conditions arise we will take advantage of short-term ‘close-the-discount’ opportunities, such as those in the IPO markets in the beginning of 2021.

During the six months ended June 30, 2021, we sold a number of our publicly listed Portfolio Companies when they reached our estimate of intrinsic value. Highlights of the Portfolio Companies are presented in the “Portfolio of Investments” section.

We continue to work with our core positions, aiming to help these Portfolio Companies build their intrinsic value over the long-term. During Q2 2021, this included actively working with the management teams of Portfolio Companies to support them through their growth, to either conserve cash or accelerate development, to assist customers and to pursue new opportunities that had recently developed. Where necessary, we also supported them in optimizing their business in connection with challenges and opportunities brought on by COVID-19.

Following a strong year in 2020, Canadian venture capital investment activity in Q1 2021 was the strongest quarter on record, with $2.7 billion invested in over 175 deals. There were a total of eleven exits valued at CAD $4.8 billion in Q1 2021 which was almost 50% of total exit value in all of 2020. With the recent increase in general awareness of the strength and depth of the Canadian technology sector, we have been partnering with well-run technology companies helping them to go public.

NCIB

During the second quarter of 2021, the Company also continued to acquire its own Class C Shares in the market under the Normal Course Issuer Bid (the “NCIB”) that it launched on February 11, 2021. Under TSXV policies, during the one year term of the NCIB, the Company is entitled to purchase a maximum of 700,866 Class C Shares, being 10% of the Company’s public float on launch date. During the six months ended June 30, 2021, the Company bought back 113,600 Class C shares for a total price of $624,245 under this NCIB.

WOF Transaction

Effective May 28, 2021, the Company completed the WOF Transaction pursuant to which it acquired 100% of the Commercialization Series shares and 97% of the Venture Series shares of WOF. Because of the actual and perceived conflict inherent in the fact that Pender and WOF were both managed by the Manager, the special committee of the WOF board of directors required the approval of the WOF Transaction by the WOF IRC and also engaged an independent financial advisor who provided a fairness opinion that the WOF Transaction is fair from a financial point of view to WOF's shareholders. Further, just prior to closing, WOF distributed any of its excess cash to its shareholders as a dividend.

The WOF Transaction represented a unique opportunity for Pender to acquire an investment entity that holds a portfolio of good companies in the private technology space, our sector of expertise. Pender has invested in Portfolio Companies alongside WOF from time-to-time over the years and in fact, the WOF portfolio includes an investment in Copperleaf, one of our existing Portfolio Companies.

In conjunction with the closing of the WOF Transaction, WOF deregistered as an "employee venture capital corporation", changed its name to Pender Private Investments Inc. ("PPI"), made an election to be a public corporation under the Income Tax Act and transitioned from the Canadian securities regulatory regime for investment funds to the Canadian securities regulatory regime for reporting issuers who are not investment funds.

Prior to the closing of the WOF Transaction, PPI had two types of Class A shares: Venture Series (also referred to as Balanced Shares) and Commercialization Series. The Company acquired all of the Commercialization Series shares in exchange for a cash payment in the amount of $508,096, being 75% of the BuildDirect.com Technologies Inc. subscription receipt financing price.

Holders of Venture Series shares had the option to sell or continue to hold their shares and 97% of the holders of Venture Series shares opted to sell, while 3% elected to continue to hold their shares. Holders of Ventures Series shares who opted to sell their shares to the Company received a cash payment equal to 43.5% of the net asset value per Venture Series share on the day prior to the date of the Arrangement Agreement adjusted based upon the per share net asset value of the Venture Series portfolio as at the end of the business day immediately prior to May 28, 2021. The price paid for Balanced Shares (series 1) was $1.7977 and the price paid for Balanced Shares (series 2) was $1.5157.

Those shareholders who sold their Venture Series shares ("Exiting Shareholders") have a limited and conditional right to an additional cash payment from the Company based on a percentage share of the net gains over carrying values at the effective date of the WOF Transaction from divestment activity in the Venture Series portfolio before May 18, 2022. Specifically, (a) if a divestment completes on or before November 18, 2021, Exiting Shareholders will receive their pro rata portion of 60% of the net gain; (b) if a divestment completes on or before February 18, 2022, Exiting Shareholders will receive their pro rata portion of 45% of the net gain; and (c) if a letter of intent, term sheet or binding agreement for a divestment is entered into on or before February 18, 2022 and such divestment is subsequently completed by May 18, 2022, Exiting Shareholders will receive their pro rata entitlement of 20% of to the net gain.

Under IFRS, the gain inherent in the difference between the price the Company paid for the acquired shares and the net value of the assets acquired is treated as a deferred gain and a contra asset[1], under the

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[1] A contra asset is a deduction from an asset that is reported on or below the related asset line in the financial statements. In this case, as required under IFRS, the *deferred gain* is recorded as a contra asset to the Company's *investments*, in effect, reducing the amount shown on the investments line in the financial statements.

investments reported in the financial statements. Total shareholders' equity per share for financial reporting purposes excludes this "Day-One Gain". Instead, under IFRS, the gain is deferred and will be recognized and taken into income to the extent applicable upon a change in a factor (including time) that market participants would take into account when pricing the investment.

"Reporting NAV" and "Reporting NAV per Share" are the non-IFRS measures that represent the Company's net assets per share including the "Day-One Gain", i.e., including its 97% proportionate share of the full net asset value of PPI. The Company uses Reporting NAV and Reporting NAV per Share as key indicators in the evaluation of the performance and condition of its business. We believe that Reporting NAV, which reflects the full value of the "Day-One Gain" on acquisition of PPI, is a useful indicator of the value and condition of its business. Reporting NAV is a non-IFRS financial measure and does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other reporting issuers.

In connection with the WOF Transaction, the Company obtained a three-year term loan from a Canadian chartered bank in the maximum amount of $10,000,000 (the "Term Loan"). As of June 30, 2021, the Company had drawn $5,000,000 on the Term Loan, which bears interest at a rate of 7.45% per annum and matures on May 28, 2024. As security for the Term Loan, the Company granted the lender a security interest in all of the shares of WOF held by the Company and in its holdings in its public company investments.

Outlook

Stock markets were volatile in the first quarter of 2021 but nevertheless continued to push higher. Supportive monetary policies, a new $1.9B stimulus package, an uptick in vaccine supply and distribution, gradual reopening of economies and other factors all contributed to the positive movement of stock markets. Nevertheless, many uncertainties remain.

M&A markets show good signs of recovery and strong pent-up demand. With the recent increase in public awareness of the strength and depth of the Canadian technology sector, we are seeing a very strong pipeline of mature, well run technology companies going public, and we are looking to partner with other companies as they take steps to go public.

We are cautiously optimistic, but we remain fully aware that potential volatility is on the horizon. COVID-19 is negatively impacting economies around the world, including those in which our private Portfolio Companies do business.

We are patient investors and continue to work closely with our private Portfolio Companies, and some of our public Portfolio Companies, aiming to help them build their intrinsic value over the long-term. It is important to note that some of the best businesses are created during challenging times such as these and we are actively screening for new prospects. We remain steadfast investors in this asset class.

We have evaluated the potential impact of COVID-19 on each of our Portfolio Companies and more information continues to become available as they continue to respond to the challenges and opportunities in the current market. Certain industries, like tourism and airlines, have been hard hit over the short-term and it is likely that it will take some time for them to rebound.

Any potential impact on investment results will depend on future developments which are beyond our control, including, for example, the duration and severity of COVID-19 and its variants, and the actions taken by government authorities and other entities to contain the virus or to treat its impact. We continue to invest with the goal of leveraging Pender's advantages, its small asset base and investment flexibility, to the benefit of all shareholders.

PORTFOLIO OF INVESTMENTS

Our portfolio of investments reflects the fact that we are long-term, high-conviction investors and that we also try take advantage of short-term “close-the-discount” opportunities where it makes sense to do so.

During the six months ended June 30, 2021, we added an investment entity, PPI, to the portfolio (as described in the Recent Developments section above) and we sold our entire holdings of five publicly listed Portfolio Companies, AgJunction Inc., Dye & Durham Limited, TIMIA Capital Corp., Spartan Delta Corp., and Wishpond Technologies Ltd. As at June 30, 2021, the weight of our Portfolio Company holdings was 151.0% of Net Asset Value, an increase of 55.4% from 95.6% at December 31, 2020, as a result of the purchase of PPI using leverage, offset by divestments of publicly listed Portfolio Companies.

Pender’s Net Assets as at June 30, 2021 comprised securities of publicly listed companies (40.1%) and private companies (110.9%), with cash and other assets less liabilities making up the remainder (-51.0%). The significant trends and events for Pender’s Portfolio Companies in the six months ended June 30, 2021 are described in this section.

The table below presents the fair value of investments as at June 30, 2021 and December 31, 2020.

Investment	June 30, 2021	December 31, 2020
Total Investment	$ 118,264,849	$ 45,186,746
LESS: Deferred gain	32,770,972	-
Net investment	$ 85,493,877	$ 45,186,746

Private Unlisted Companies

We continue to work with our private Portfolio Companies, with the ongoing aim of helping them build their intrinsic value over the long-term.

One45 Software

One45 provides data management software under a software-as-a-service (“SaaS”) model to medical and other healthcare professional schools.

During Q2 2021, One45 continued to close sales of its One45 Analytics product. With this recently added product, One45 provides healthcare education organizations with a full-featured data warehouse with advanced analytics. One45 funded the development of One45 Analytics with its own cash flow, and it managed to do so while still maintaining a strong balance sheet. The company continues to pursue market adoption of One45 Analytics, with revenue from a growing list of customers. On August 10, 2021, it was announced that One45 had been acquired by a third party.

Copperleaf Technologies

Copperleaf Technologies Inc. (“Copperleaf”) provides decision analytics to companies managing critical infrastructure. Copperleaf’s enterprise software solutions leverage operational and financial data to help its clients make investment decisions that have the potential to deliver the highest business value. Copperleaf is based in Vancouver and its solutions are distributed and supported by regional staff and partners worldwide.

As an indication of the company's global reach, in Q2 2021 Copperleaf announced that its decision analytics solution was selected by Northumbrian Water Ltd., a utility company that supplies water and wastewater services to over 4.5 million customers in England. This partnership is an example of Copperleaf's ability to provide industry-leading asset management decision support and we believe there is a significant growth opportunity for Copperleaf as it continues to build out its business.

Clarius

Clarius Mobile Health Corp. ("Clarius") is developing and commercializing ultra-portable ultrasound scanners, with mobile applications and cloud solutions. The scanners connect wirelessly to off-the-shelf smartphones and tablets, based on its proprietary "ultrasound system-on-chip" technology. This novel technology efficiently utilizes technical resources on the chip, thus allowing high image quality to be maintained in a small form factor.

Clarius has a strong position in the ultra-portable ultrasound market with thousands of devices sold to date And in 2021 surpassed the one million count for ultrasound exams to-date, which is an indication of the emergence of the point-of-care ultrasound industry. In response to COVID-19, Clarius has seen an increase in demand for its scanners which are being used to check patients' lungs for acute pneumonia. In Q2 2021 the company completed a key hire for the position of Directors of Data Science to help the company further develop AI and machine learning to enable more advanced and faster imaging to deliver better patient care.

Checkfront

Checkfront, Inc. ("Checkfront") develops cloud-based booking management application and e-commerce platforms for tour providers, accommodation managers, and rental businesses in Canada and internationally. The Checkfront platform helps businesses manage their inventories, centralize reservations and process payments. Checkfront's solution is used as an operating system by thousands of operators in over one hundred countries. Despite the industry impact of COVID-19, we believe the company is in a strong position relative to industry peers who mostly operate under a commission-based revenue model. Checkfront's key focus was the development of its infrastructure and people as the company prepared for the return to travel as pandemic restrictions were lifted during the six months ended June 30, 2021.

BuildDirect

BuildDirect.com Technologies Inc. ("BuildDirect") connects homeowners and home improvement professionals in North America with suppliers and sellers of building materials from around the world, with a focus on flooring. BuildDirect's year-over-year growth, heavyweight delivery network, and digital reach have served to grow its business targeted towards repeat pro builders based in the United States. In May 2021, BuildDirect closed a financing as part of a planned go-public transaction with VLCTY Capital Inc., a capital pool company listed on the TSX Venture Exchange. On August 16, 2021, this transaction was completed and common shares of the renamed entity, BuildDirect.com Technologies Inc., were listed on the TSX Venture Exchange.

Pender Private Investments Inc.

The Company acquired shares of PPI during the period as further described in the recent developments section of this report. As a result, it now holds investment in a portfolio of technology companies indirectly: PPI's portfolio includes investments in two entities that are also in the Company's portfolio, Copperleaf and BuildDirect, as well as other investments, including companies described below.

Teradici

Teradici Corporation ("Teradici") creates secure virtual workspaces, using its PcoIP technology which powers a spectrum of local, remote, mobile and collaborative work styles, simplifying how computing is provisioned, managed, and used throughout multi-cloud environments.

On July 27, 2021, the Company announced that Teradici had entered into a definitive agreement to be acquired by HP Inc. There can be no assurance that the portfolio company will be able to close this transaction.

General Fusion

General Fusion Inc. ("General Fusion") is a research and development stage company with the goal of developing a practical path to commercial fusion power, providing a powerful complement to renewables and a pathway to a zero-emission grid.

Redlen

Redlen Technologies Inc. ("Redlen") manufactures high-resolution Cadmium Zinc Telluride (CZT) semiconductor radiation detectors enabling a new generation of high-performance detection and imaging equipment for applications that include nuclear cardiology, CT Scanning, baggage scanning and dirty bomb detection.

Publicly listed Companies

During the six months ended June 30, 2021, we continued to be patient, fundamental investors, and we believe that the market conditions resulting from COVID-19 present good potential opportunities for our public company holdings. As long-term investors, we do not believe discussions around quarterly or annual gains or losses add much value. Having said that, in the following section we discuss those investments that were key contributors to or detractors from the performance of our portfolio during the six months ended June 30, 2021 and we highlight some of the publicly listed companies new to the portfolio this reporting period, if any.

During the six months ended June 30, 2021, we did not add any new publicly listed companies to the portfolio, however, Tantalus Systems Holding Inc. ("Tantalus") was a private holding in the portfolio that became a public company portfolio holding (TSXV:GRID) upon its completion of a going public transaction in February 2021. Since completing the transaction, Tantalus continues to focus on delivering innovative smart grid solutions to electric, water and gas utilities.

Key positive individual contributors to the Company's performance for six months ended June 30, 2021 included Spartan Delta Corp.(TSXV:SDE), Inscape Corporation, Class B (TSX:INQ), and ProntoForms Corporation (TSXV:PFM).

On the flip side, the portfolio saw some of its publicly listed Portfolio Company holdings incur losses during the six months ended June 30, 2021. BBTV Holdings Inc. (TSXV:BBTV), GreenSpace Brands Inc. (TSXV:JTR) and Sangoma Technologies Corporation (TSXV:STC) were some of the key detractors.

Portfolio transactions during the year were made based on our stock selection process. In general, we increased weightings of individual stocks where we determined the margin of safety had increased and decreased their weightings as their traded market values moved closer to our estimates of their intrinsic values. We are constantly looking for new investment ideas and 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. During the six months ended June 30, 2021, we sold AgJunction Inc. (TSX:AJX), Dye and Durham Limited (TSX:DND), TIMIA Capital Corp (TSXV:TCA), Spartan Delta Corp.(TSXV:SDE), and Wishpond Technologies Ltd. (TSXV:WISH).

Portfolio Turnover

The Company's portfolio turnover was 8.2% during the three months (June 30, 2020 – 8.0%) and 16.4% during the six months ended June 30, 2021 (June 30, 2020 – 22.3%). The portfolio turnover rate is calculated based on the lesser of purchases and proceeds of sales of securities during a period as a percentage of the average value of the Company's investments in that period. In general, lower turnover rates result in lower trading costs and may reduce realized capital gains and losses. During the six months ended June 30, 2021, Pender's return on its investment portfolio was 2.2%.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

As long-term, high-conviction investors, our goal is to create long-term capital appreciation for our investors, continuing to build on the Class C Shares' 17.6% annualized return under IFRS since inception.

At Pender, we quantify our investment results in terms of the growth in Net Assets or Net Assets per Share rather than the change in shareholders' equity or the change in our listed share price. The growth in Net Assets per Share over time is primarily a result of investment performance. Like many listed investment entities, our shares may trade at prices which may not be indicative of the value of our Net Assets per Share. Further, the share price may change due to factors which are unrelated to our Net Assets per Share.

The Company's Net Assets increased by $9,365,381, or 19.8%, during the six months ended June 30, 2021, to a level of $56,619,571 versus $47,254,190 as at December 31, 2020. This increase was the result of investment performance of $24,173,825, less operating costs net of operating income $14,184,199, and share repurchases of $624,245 under the NCIB described in the "Recent Developments" section of this MD&A.

During the three months ended June 30, 2021, the value of Net Assets per Share ranged from $5.82 to $6.21 per share, while our closing share price ranged from a high of $8.00 to a low of $5.45 per share. During this three-month period the shares traded at prices representing a premium to Net Assets per Share 37.51% to a discount 11.13%.

During the six months ended June 30, 2021, the value of our Net Assets per Share ranged from 5.82 to $6.76 per share, while our closing share price ranged from a high of $8.00 per share to a low of $4.20 per share. During the period, the shares traded at prices representing a premium to Net Assets per Share 37.51% to a discount 30.83%.

There were no discontinued operations during the six months ended June 30, 2021 and 2020.

Please refer to the "Financial Performance" and "Financial Condition" sections of this MD&A for additional details and to the "Past Performance" section of this MD&A for the performance of Class C Shares. The sectors in which the Company was invested as at June 30, 2021 are listed under the "Summary of Investment Portfolio" section of this MD&A.

SELECTED FINANCIAL INFORMATION

The following tables present selected key financial information about the Company to provide an understanding of the Company's financial condition as at June 30, 2021 compared to June 30, 2020, and for the three preceding financial years, as well as its financial performance in the six months ended June 30, 2021, compared to the six months ended June 30, 2020. This section should be read together with the Condensed Interim Financial Statements and the Annual Audited Financial Statements.

Supplemental Data

	2021 Q2	2020 Q2	2020	2019	2018
Net Assets ($000s)	56,620	36,578	47,254	33,833	17,205
Non-Redeemable Class C Shares Outstanding	7,626,529	7,842,229	7,740,129	8,083,329	4,152,545
Net Assets per Share ($)	7.42	4.66	6.11	4.19	4.14
Closing Market Price* ($)	7.10	3.00	4.35	3.75	3.10
Total Increase (Decrease) from Operations per Share ($)	1.29	0.56	1.84	0.31	(0.35)

*Market Price: Closing market price on the last trading day of the period as reported on the TSXV

Financial Performance

		2021 Q2 (3 months)		2020 Q2 (3 months)		2021 Q1 & Q2 (6 months)		2020 Q1 & Q2 (6 months)
Net realized gain (loss)	$	1,908,681	$	437,666	$	4,498,662	$	1,032,960
Change in net unrealized gain (loss)		21,584,389		4,195,453		19,675,163		2,894,892
Foreign exchange gain (loss)		-		(10,053)		-		(8,817)
Dividend, interest and securities lending income		89,113		120,517		184,639		212,844
Total income		23,582,183		4,743,583		24,358,464		4,131,879
Contingent payment		(11,758,588)				(11,758,588)		
Performance fees		(1,574,504)		-		(1,574,504)		-
Management fees		(241,069)		(192,690)		(502,304)		(381,605)
Withholding taxes, GST/HST and transactions cost		(278,726)		(18,186)		(534,102)		(46,323)
Other expenses		(270,696)		(90,089)		(392,966)		(214,977)
Total expenses		(14,123,583)		(300,965)		(14,762,464)		(642,905)
Performance fees waived by the Manager		393,626		-		393,626		-
Net income (loss) before income taxes		9,852,226		4,442,618		9,989,626		3,488,974
Income tax (recovery)		-		-		-		-
Net comprehensive income	$	**9,852,226**	**$**	**4,442,618**	**$**	**9,989,626**	**$**	**3,488,974**
Management expense ratio		14.70%		3.26%		8.75%		3.37%
Trading expense ratio		2.42%		0.22%		2.25%		0.26%

Financial performance for the three months ended June 30, 2021

Highlights of the factors contributing to Pender's investment performance in the three months ended June 30, 2021 are presented in the "Portfolio of Investments" section of this MD&A.

(a) Net realized gain (loss)

Net realized gains and losses on investments are the result of the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the three months ended June 30, 2021, net realized gain on investments were $1,908,681 (June 30, 2020 – net realized gain $437,666), attributable to the divestment of Spartan Delta Corp and Wishpond Technologies Ltd. and partial divestment of BBTV Holdings Inc., Tantalus Systems Holding Inc. and Redline Communications Group, discussed in the "Portfolio of Investments" section of this MD&A.

(b) Change in net unrealized gain (loss)

Net unrealized gains and losses on investments are the result of changes in the value of Portfolio Companies held throughout the period and also as a result of unrealized gains or losses being reversed upon becoming realized gains or losses, upon the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the three months ended June 30, 2021, Pender's net change in unrealized gain on investments is

$21,584,389 (June 30, 2020 – gain of $4,195,453), a result of increases in the values of private Portfolio Companies partially offset by decreases in the traded prices of several of Pender's publicly-listed Portfolio Companies.

(c) Foreign exchange gain (loss)

Pender's financial statements are presented in Canadian dollars, so to the extent that it holds US dollar-denominated assets and/or liabilities, it is exposed to fluctuations in currency exchange rates which may result in foreign currency gains and/or losses. During the three months ended June 30, 2020, Pender incurred a foreign exchange gain (loss) of $Nil (June 30, 2020 – a loss of $10,053). At present, the Manager believes that the level of the Company's US dollar-denominated assets does not warrant hedging the exposure to fluctuations in exchange rates.

(d) Dividend, interest and securities lending income

The Company may earn dividends, interest on its investments in securities, interest on its cash balances, and/or income from securities lending. The Company earned $89,113 of dividend, interest and securities lending income during the three months ended June 30, 2021 (June 30, 2020 - $120,517 of interest income). The decrease from the comparable prior period is due to the fact that no dividend income was earned in this period. Interest income was earned on the convertible debentures of Siyata Mobile Inc., Clarius Mobile Health Corp., and BuildDirect.com Technologies Inc.

(e) Management Fees

The Company pays the Manager a management fee which is calculated as a percentage of Net Assets. The fee varies from period to period in proportion to the variance in the average balance of Net Assets. During the three months ended June 30, 2021, the increase in management fees paid by the Company reflected the increase in the level of Net Assets versus the previous quarter in 2020. The increase in Net Assets was primarily the result of investment performance that exceeded both expenses and the amount invested in the repurchase of Company shares under the NCIB.

During the three months ended June 30, 2021, management fee expense was $241,069, which was $48,379 higher than the fee of $192,690 in the three months ended June 30, 2020.

(f) Performance fees

The Manager is entitled to a performance fee in certain circumstances. The performance fee is calculated annually as 20% of any net increase in shareholders' equity above an annual hurdle rate of 6%, subject to a high water mark. During the three months ended June 30, 2021, the Company incurred performance fees of $1,574,504 (June 30, 2020 – $Nil). The Manager agreed to waive part of the performance fee, reducing the fee to 15% instead of 20%, for a reduction of $393,626 (2020 – $Nil).

(g) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total of all expenses of the Company (other than the contingent payment expense, commissions and other portfolio transaction costs) by the average Net Assets. The 14.70% MER for the three months ended June 30, 2021 was 11.44% higher than the 3.26% MER during the three months ended June 30, 2020, primarily due to performance fees incurred. The 14.70% MER comprises 10.25% for the performance fee and 4.45% for other expenses whereas, for 2020, the 3.26% MER was comprised solely of expenses. The 1.19% increase in expenses in the three months ended June 30, 2021 versus the comparable three month period was primarily due the additional financing expenses for the credit facility described in the Recent Developments section of this MD&A.

(h) Trading Expense Ratio

The TER is an annualized percentage calculated by dividing the total of all commissions and other portfolio transaction costs by the average Net Assets during the period. The small number of Portfolio Companies and the long-term investment horizon of the Company have historically resulted in a TER that is relatively low. The TER for the three months ended June 30, 2021 was 2.42% (June 30, 2020 – 0.22%), with the increase in the period being primarily due to the accrual of costs for the WOF Transaction described in the Recent Developments section of this MD&A.

Financial performance for the six months ended June 30, 2021

Highlights of the factors contributing to Pender's investment performance in the six months ended June 30, 2021 are presented in the "Portfolio of Investments" section of this MD&A.

(a) Net realized gain (loss)

Net realized gains and losses on investments are the result of the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the six months ended June 30, 2021, the net realized gain on investments was $4,498,662 (June 30, 2020 – net realized gain $1,032,960), attributable to the full divestment of shares of AgJunction Inc., Dye & Durham Limited, TIMIA Capital Corp., Spartan Delta Corp and Wishpond Technologies Ltd. and the partial divestment of certain publicly listed Portfolio Companies, such as Sangoma Technologies Corporation, BBTV Holdings Inc., Tantalus Systems Holding Inc. and Redline Communications Group.

(b) Change in unrealized gain (loss)

Net unrealized gains and losses on investments are the result of changes in the value of Portfolio Companies held throughout the period and also as a result of unrealized gains or losses being reversed upon becoming realized gains or losses upon the sale of Portfolio Companies. Net unrealized gains and losses are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the six months ended June 30, 2021, Pender's net change in unrealized gain on investments reflected a gain of $19,675,163 (June 30, 2020 – gain of $2,894,892), primarily as a result of increases in the value of private Portfolio Companies that was partially offset by decreases in the traded prices of some of Pender's publicly-listed Portfolio Companies.

(c) Foreign exchange gain (loss)

Pender's financial statements are presented in Canadian dollars so, to the extent that it holds US dollar-denominated assets and/or liabilities, it is exposed to fluctuations in currency exchange rates which may result in foreign currency gains and/or losses. During the six months ended June 30, 2021, Pender incurred a foreign exchange gain (loss) of $Nil (June 30, 2020 - a loss of $8,817). At present, the Manager believes that the level of the Company's US dollar-denominated assets does not warrant hedging the exposure to fluctuations in exchange rates.

(d) Dividend, interest and securities lending income

The Company may earn dividends and/or interest on its investments in securities, interest on its cash balances, and income from securities lending. The Company earned $184,639 of interest and securities lending income during the six months ended June 30, 2021 (June 30, 2020 - $212,844). The decrease in the period was due to the fact that no dividend income was earned. Interest income was earned on the convertible debentures of Siyata Mobile Inc., Clarius Mobile Health Corp and BuildDirect.com Technologies Inc.

(e) Management Fees

The Company pays the Manager a management fee which is calculated as a percentage of Net Assets. The fee varies from period to period in proportion to the variance in the average balance of Net Assets. During the six months ended June 30, 2021, the increase in management fees paid by the Company reflected the increase in the level of Net Assets versus those of the previous quarter in 2020. The increase in Net Assets was primarily the result of investment performance that exceeded both expenses and the amount invested in the repurchase of Company shares under the NCIB.

Overall, management fee expense was $502,304 for the six months ended June 30, 2021, which was $120,699 higher than the fee of $381,605 for the comparable period in the prior year.

(f) Performance fees

The Manager is entitled to a performance fee in certain circumstances. The performance fee is calculated annually as 20% of any net increase in shareholders' equity above an annual hurdle rate of 6%, subject to a high water mark. During the six months ended June 30, 2021, the Company incurred performance fees of $1,574,504 (June 30, 2020 – $Nil). The Manager agreed to waive part of the performance fee, reducing the fee to 15% instead of 20%, for a reduction of $393,626 (2020 – $Nil).

(g) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total of all expenses of the Company (other than the contingent payment expense, commissions and other portfolio transaction costs) by the average Net Assets. The MER for the six months ended June 30, 2021 was 8.75%, 5.38% higher than the 3.37% MER during the six months ended June 30, 2020, primarily due to performance fees incurred. The 8.75% MER comprises 4.98% for the performance fee and 3.77% for other expenses whereas, for the comparable period in 2020, the 3.37% MER was comprised solely of expenses. The 0.40% increase in expenses in the six months ended June 30, 2021 versus the comparable six month period was primarily due to the additional financing expenses for the credit facility described in the Recent Developments section of this MD&A.

(h) Trading Expense Ratio

The TER is an annualized percentage calculated by dividing the total of all commissions and other portfolio transaction costs by the average Net Assets during the period. The small number of Portfolio Companies and the long-term investment horizon of the Company have resulted in a TER that is relatively low. The TER for the six months ended June 30, 2021 is 2.25% (June 30, 2020 - 0.26%), with the increase in the period being primarily due to the accrual of costs for the WOF Transaction described in the Recent Developments section of this MD&A.

Financial Highlights

Net Assets per Share (Note 1)	**2021 Q2 (3 months)**	**2020 Q2 (3 months)**	**2020**	**2019**	**2018**
Net Assets per Share (beginning of period)	**$6.11**	**$4.08**	**$4.19**	**$4.14**	**$4.49**
Increase (decrease) from operations:					
Total revenue	0.01	0.02	0.23	0.09	0.00
Total expenses	(1.80)	(0.04)	(0.29)	(0.16)	(0.18)
Realized gains (losses)	0.25	0.05	0.88	0.09	0.00
Unrealized gains (losses)	2.83	0.53	1.02	0.29	(0.17)
Total increase (decrease) from operations	**1.29**	**0.56**	**1.84**	**0.31**	**(0.35)**
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	-	-	-	-	-
Net Assets per Share (end of period)	**$7.42**	**$4.66**	**$6.11**	**$4.19**	**$4.14**
Ratios and Supplemental Data					
Total net asset value ($000s)	$56,620	$36,578	$47,254	$33,833	$17,205
Number of shares outstanding	7,626,529	7,842,229	7,740,129	8,083,329	4,152,545
Closing market price	$7.10	$3.00	$4.35	$3.75	$3.10

Note 1 - Net assets per share is based on the number of shares outstanding at the relevant time. The increase (decrease) from operations per share is based on the weighted-average number of shares outstanding during the period. Therefore, the beginning of period net assets plus the increase (decrease) from operations shown above will not sum to the end of period net assets.

Financial Condition

		June 30, 2021		December 31, 2020
Assets				
Cash	$	1,596,022	$	1,789,278
Receivable for investments sold		284,796		729,274
Interest receivable		168,476		52,075
Prepaid expenses		13,342		4,243
Divestment proceeds receivable		-		667,631
Investments		85,493,877		45,186,746
Total assets		87,556,513		48,429,247
Liabilities				
Payable for investments purchased		12,626,032		-
Contingent Payment Right payable		11,758,588		-
Loan payable		5,000,000		-
Due to related parties		1,295,766		1,058,873
Accounts payable and accrued liabilities		214,306		116,184
Interest payable		28,575		-
Share repurchase payable		13,675		-
Total liabilities		30,936,942		1,175,057
Shareholders' equity	$	56,619,571	$	47,254,190

(a) Investments

As at June 30, 2021, Pender's investments of $85,493,877 comprised publicly listed Portfolio Companies valued at $22,728,709 and private, unlisted Portfolio Companies valued at $95,536,140 less the deferred gain of $32,770,972 described in the Recent Developments section of this MD&A. The increase of $40,307,131 from the investments balance of $45,186,746 at December 31, 2020 is a result of the purchase of PPI under the WOF Transaction, the divestment of shares of some publicly listed Portfolio Companies and the net change in unrealized appreciation of private Portfolio Companies. Please refer to the "Recent Developments" section of this MD&A, as well as the "Portfolio of Investments" section for a discussion of certain Portfolio Companies and significant factors that affected them in the six months ended June 30, 2021.

The Deferred gain of $32,770,972 (December 31, 2020 - $Nil) represents the difference between the discounted price the Company paid for the shares of PPI acquired in the period and the full value of PPI at the date of acquisition. Under IFRS, this Day-One Gain is not recognized as income and so is excluded from total shareholders' equity per share for financial reporting purposes and is treated as a deferred gain. The deferred gain will be recognized and taken into income to the extent applicable upon a change in a factor (including time) that market participants would take into account when pricing the investment.

(b) Cash

Pender typically holds cash balances as a strategic asset class, to invest in securities, as well as to pay expenses. Cash balances are monitored daily by the Manager. The $1,596,022 cash balance at June 30, 2021 was $193,256 less than the $1,789,278 balance at December 31, 2020. This decrease in cash was primarily due to the purchase of investments, primarily PPI, which exceeded the proceeds on disposal of investments in the period, as well as the payment of expenses, accounts payable and share repurchases under the NCIB disclosed in the "Recent Developments" section of this MD&A.

(c) Divestment proceeds receivable

During the six months ended June 30, 2021 the Company had $Nil balance relating to divestment proceeds because the $667,631 balances due at December 31, 2020 from the disposition of the shares of BasicGov Systems, Inc. and 3760073 Canada Corporation (formerly Navarik Corp.) were received in the period.

(d) Interest Receivable

The $168,476 interest receivable balance relates to interest on convertible debentures issued to three Portfolio Companies.

(e) Due to related parties

The $1,295,766 balance due to related parties as at June 30, 2021 comprises performance fees, management and administration fees owed to the Manager and third-party expenses paid by the Manager on behalf of the Company. This balance will change during any period as a result of the timing of payments and the change in fees and other expenses due to the Manager. During the six months ended June 30, 2021 the balance increased by $236,893 from the prior year-end balance of $1,058,873, mainly due to performance fee, management and administration fee and other expenses.

(f) Accounts payable and accrued expenses

The Company's accounts payable and accrued expenses balance represent amounts due to third parties for operating expenses. During the six months ended June 30, 2021, this balance increased by $98,122 to $214,306 in the normal course of business, but also due to legal fees for the WOF Transaction described in the Recent Developments of this MD&A.

(g) Payable for investments purchased

As at June 30, 2021, the accounts reflect a balance of $12,626,032 payable for investments purchased (December 31, 2020 - $Nil). This liability arose under the WOF Transaction to acquire PPI that is described in the Recent Developments section, which provided for 50% of the payment for the Venture Series shares acquired to be paid shortly after closing, and for the remaining 50% of the payment, $12,626,032, to be paid as soon as reasonably practicable after November 28, 2021, the six-month anniversary of the closing.

(h) Contingent payment right payable

Those former WOF shareholders that sold their Venture Series shares ("Exiting Shareholders") under the WOF Transaction described in the Recent Developments section, have a limited and conditional right to an additional cash payment from the Company based on a percentage share of the net gains over carrying values at the effective date from divestment activity in the Venture Series portfolio before May 18, 2022. Specifically, (a) if a divestment completes on or before November 18, 2021, Exiting Shareholders will receive their pro rata portion of 60% of the net gain; (b) if a divestment completes on or before February 18, 2022, Exiting Shareholders will receive their pro rata portion of 45% of the net gain; and (c) if a letter of intent, term sheet or binding agreement for a divestment is entered into on or before February 18, 2022 and such divestment is subsequently completed by May 18, 2022, Exiting Shareholders will receive their pro rata entitlement of 20% of to the net gain.

The Company has accrued a contingent additional exit share payment payable in the amount of $11,758,588 at June 30, 2021 (December 31, 2020 - $Nil).

(i) Loan payable

In conjunction with the WOF Transaction described in the Recent Developments section of this MD&A, the Company entered into a three-year credit facility agreement with a Canadian chartered bank that allows it to draw up to $10 million. As at June 30, 2021, the balance drawn on the facility was $5 million (December 31, 2020 - $Nil).

(j) Shareholders' equity

Shareholders' equity represents the equity in the Company owned by the holders of the 7,626,529 non-redeemable Class C common shares outstanding as at June 30, 2021 (December 31, 2020 - 7,740,129). The decrease of 113,600 Class C Common Shares during the six months ended June 30, 2021 reflects shares repurchased under the NCIB described in the "Recent Developments" section of this MD&A.

Cash Flows

For the six months ended June 30, 2021, Pender's cash balance decreased by $193,256, primarily due to the excess of cash deployment to purchase investments over the proceeds on disposal of investments, as well as payment of expenses and share repurchases under the NCIB, as described in the "Recent Developments" section of this MD&A

Shareholder Activity

During the six months ended June 30, 2021, the Company repurchased 113,600 shares under the NCIB described in the "Recent Developments" section of this MD&A, reducing the outstanding shares from 7,740,129 at the prior year end to 7,626,529 as at June 30, 2021.

On May 10, 2019, the Company completed a secondary offering of Class C shares on the TSXV for aggregate proceeds of $15,015,000. On May 24, 2019, the Company announced the syndicate of agents had exercised their option to purchase over-allotment shares which brought the total gross proceeds from the offering to $15,330,058. The secondary offering resulted in underwriting fees of $433,075 and other offering expenses of $332,155, for total net proceeds of $14,564,828. As a result of the secondary offering, 3,930,784 Class C shares were issued, which increased total outstanding Class C shares to 8,083,329 as at December 31, 2019. The Company used the net proceeds for working capital purposes and to invest in public and private investment opportunities, in accordance with the Company's investment strategies.

On July 24, 2019, at the annual general and special meeting, the shareholders approved a special resolution under the *Business Corporations Act* (British Columbia) altering the authorized share structure of the Company to (a) create a new class of preferred shares issuable in series; (b) delete the Class B Convertible Non-Participating shares and the Class R Senior Participating Redeemable Convertible Preference Shares, none of which were issued and outstanding; and (c) to alter the Articles of the Company to remove references to the Class R shares from the special rights and restrictions of the Class C Shares.

More information about the formation and history of the Company is available in its Annual Information Form dated April 29, 2020.

SUMMARY OF QUARTERLY RESULTS

The tables below show information about Pender's financial performance for the most recently completed eight quarters. In each quarter, the net income or loss is a result of realized and unrealized gains and losses on investments, dividend, interest and securities lending income, and operating expenses. A comparison of the information presented from quarter-to-quarter does not necessarily indicate any meaningful pattern or correlation.

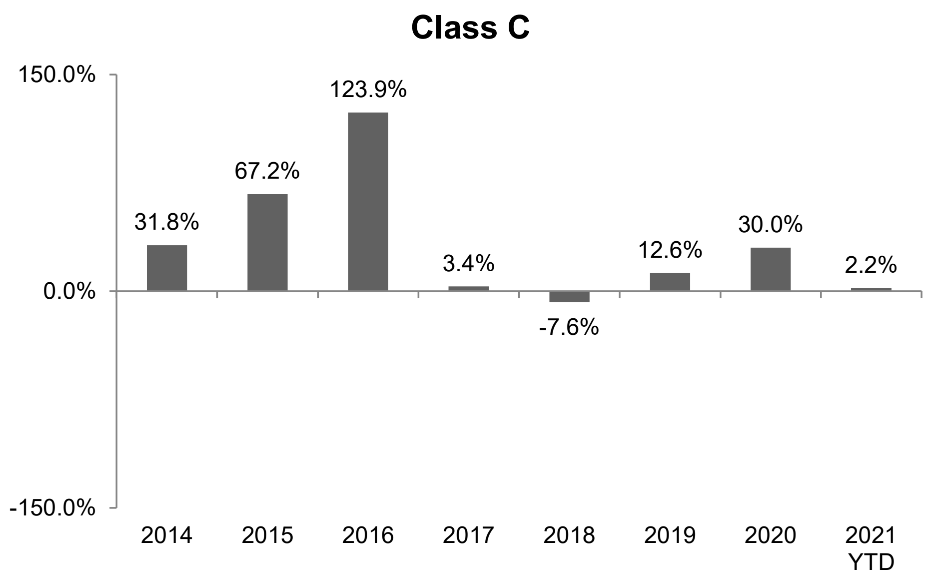
	2021 Q2	2021 Q1	2020 Q4	2020 Q3
Net realized gain (loss)	$ 1,908,681	$ 2,589,981	$ 2,968,126	$ 2,949,137
Change in net unrealized gain (loss)	21,584,389	(1,909,226)	5,223,971	(22,333)
Foreign exchange gain (loss)	-	-	(41,740)	16
Dividend, interest and securities lending income	89,113	95,526	1,475,828	109,721
Total income	23,582,183	776,281	9,626,185	3,036,541
Contingent payment	(11,758,588)	-	-	-
Performance fees	(1,574,504)	-	(1,211,315)	-
Management fees	(241,069)	(261,235)	(231,772)	(208,271)
Withholding taxes, GST/HST and transaction costs	(278,726)	(255,376)	(125,038)	(22,741)
Other expenses	(270,696)	(122,270)	(105,371)	(74,550)
Total expenses	(14,123,583)	(638,881)	(1,673,496)	(305,562)
Performance fees waived by the Manager	393,626	-	302,829	-
Net income (loss) before income taxes	9,852,226	137,400	8,255,518	2,730,979
Income tax (recovery)	-	-	-	-
Net comprehensive income	**$ 9,852,226**	**$ 137,400**	**$ 8,255,518**	**$ 2,730,979**
Net Assets per Share (beginning of period)	$ 6.13	$ 6.11	$ 5.03	$ 4.66
Net Assets per Share (end of period)	$ 7.42	$ 6.13	$ 6.11	$ 5.03

	2020 Q2	2020 Q1	2019 Q4	2019 Q3
Net realized gain (loss)	$ 437,666	$ 595,295	$ 706,480	$ 125,405
Change in net unrealized gain (loss)	4,195,453	(1,300,561)	1,108,024	48,579
Foreign exchange gain (loss)	(10,053)	1,236	(6,912)	2,110
Dividend, interest and securities lending income	120,517	92,327	532,102	65,179
Total income	4,743,583	(611,703)	2,339,694	241,273
Management fees	(192,690)	(188,914)	(187,536)	(175,866)
Withholding taxes, GST/HST and transaction costs	(18,187)	(28,136)	(17,321)	(4,695)
Other expenses	(90,088)	(124,889)	(94,393)	(97,494)
Total expenses	(300,965)	(341,939)	(299,250)	(278,055)
Net income (loss) before income taxes	4,442,618	(953,642)	2,040,444	(36,782)
Income tax (recovery)	-	-	-	-
Net comprehensive income	**$ 4,442,618**	**$ (953,642)**	**$ 2,040,444**	**$ (36,782)**
Net Assets per Share (beginning of period)	$ 4.08	$ 4.19	$ 3.93	$ 3.94
Net Assets per Share (end of period)	$ 4.66	$ 4.08	$ 4.19	$ 3.93

PAST PERFORMANCE

To illustrate how the Company's performance has varied over time, the following bar chart shows performance for the six months ended June 30, 2021 and for each of the previous years ended December 31. The past performance of the Company does not necessarily indicate how it will perform in the future.

Past performance for Class C Shares of the Company is calculated based on its shareholders' equity and is not based on its market price on the TSXV. It should also be noted that total shareholders' equity which is calculated under IFRS for financial reporting purposes may be different from the Reporting NAV. In addition, the information does not take into account sales, redemptions, distributions, income taxes payable or other charges that would have reduced returns or performance. Finally, the information presented for the years prior to 2018 relates to the period when the Company was subject to the Investment Funds Regime. Commencing December 31, 2018, the Company became subject to the Corporate Issuer Regime. Refer to the "Reporting Regime" section of this MD&A for additional details.



SUMMARY OF INVESTMENT PORTFOLIO

Pender's largest Portfolio Company holdings as at the end of the year and the major asset classes in which Pender was invested are indicated below. The investment portfolio may change due to ongoing portfolio transactions. Please also refer to the "Schedule of Investment Portfolio" in the Financial Statements.

Summary of Top 25 Holdings

	% OF NET ASSETS
Private unlisted companies*	110.9
Inscape Corporation, Class B	12.8
GreenSpace Brands Inc.	8.0
ProntoForms Corporation	5.4
Quorum Information Technologies Inc.	3.3
Sangoma Technologies Corporation	2.9
MAV Beauty Brands Inc.	2.1
Tantalus Systems Holding Inc.	2.1
Siyata Mobile Inc., 12%, 12/23/2021	1.7
Vigil Health Solutions Inc.	1.2
Redline Communications Group Inc.	0.4
BBTV Holdings Inc.	0.2
Else Nutrition Holdings Inc.	0.0

Summary of Composition of the Portfolio

	% OF NET ASSETS
Pender Private Investments	80.7
Software and Services	25.6
Information Technology	15.0
Industrials	12.8
Consumer Staples	10.1
Consumer Discretionary	3.3
Technology Hardware and Equipment	2.1
Health Care	1.2
Communication Services	0.2
TOTAL INVESTMENTS	**151.0**
Cash	2.8
Other assets less liabilities	(53.8)
TOTAL NET ASSETS	**100.0**

* The value of these companies is disclosed on an aggregate basis due to the nature of private, unlisted companies. Refer to the Financial Statements for more information. The names of these private Portfolio Companies are listed in the table below.

COMMON SHARES
Copperleaf Technologies Inc.
one45 Software Inc.
Pender Private Investments Inc., Commercialization Shares
Pender Private Investments Inc., Legacy Shares

PREFERRED SHARES
Checkfront, Inc., Series A-2
Copperleaf Technologies Inc., Series 1, Class A, Convertible
D-Wave Systems Inc.

WARRANTS
BuildDirect.com Technologies Inc., USD 0.78, 12/31/2030

CONVERTIBLE DEBENTURES
BuildDirect.com Technologies Inc., 8%, 12/31/2023
Clarius Mobile Health Corp., 10%, 12/31/2023

DIVIDEND POLICY

The Company does not currently intend to pay regular dividends or other distributions but may do so if, as and when determined by the Board of Directors.

OUTSTANDING SHARE DATA

As at June 30, 2021 the Company had 7,626,529 Class C Shares outstanding.

TRANSACTIONS BETWEEN RELATED PARTIES

As at June 30, 2021, the Manager, directors and officers of the Company directly and/or indirectly held 9.7% of the Company's Class C Shares. The aggregate investment by the Company's directors and officers in all Portfolio Companies did not exceed 1.0% of the any Portfolio Company's issued and outstanding shares.

Pender pays management fees and performance fees to the Manager for management and portfolio advisory services.

Effective May 2019, the management fee paid to the Manager was reduced to 2.50% on the first $15,000,000 of the value of Net Assets and 1.75% on the value of Net Assets above $15 million. Prior to that date, the management fee paid to the Manager was equal to 2.50% of the value of Net Assets up to $50 million and 2.00% of the value of Net Assets in excess of $50 million. The management fee is calculated and paid monthly. The management fee expense is $502,304 for the six months ended June 30, 2021.

Pender also pays the Manager a performance fee in certain circumstances, based on achieving certain performance criteria. The performance fee is calculated as 20% of any net increase in the value of Pender's shareholders' equity above an annual hurdle rate of 6%. The performance fee is calculated on an annual basis and is subject to a highwater mark, being the year-end value of Net Assets per Share for the most recent preceding year in which a performance fee was earned. Subject to the accumulation of the hurdle rate in years in which no performance fee is payable, the highwater mark will not be reset other than to be adjusted in the event of a subdivision or consolidation of the shares. During the six months ended June 30, 2021, performance fees incurred were $1,574,504 (2020 - $Nil), of which $393,626 (2020 - $Nil) was waived by the Manager.

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

On May 28, 2021, the Company completed the WOF Transaction and in so doing acquired 97% of PPI, a company that is also managed by the Manager. Please refer to the "Recent Developments" section of this MD&A for a description of the transaction.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2021, the Company was in a strong liquidity position, with cash of $1,596,022 comprising 2.8% of the value of its Net Assets, and investments in publicly traded securities of $21,778,709 or 38.4% of the value of its Net Assets.

Should the future composition of its portfolio be weighted significantly more toward private investments that could not readily be sold, the Company would need to secure credit facilities or issue securities to help meet its liquidity needs. There is no immediate need to rely on these liquidity sources.

COMMITMENTS AND CONTINGENCIES

Pender may become liable for commitments and contingencies relating to litigation or claims in the normal course of business as a result of investing. The Manager is not aware of any commitments or contingencies, or any current or planned litigation or claims against it.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised.

The Company may hold financial instruments that are not quoted in an active market, including derivatives. Currently, the Company holds common and preferred shares as well as convertible debt issued by its private Portfolio Companies. Details of these holdings are set forth in the ”Summary of Investment Portfolio” section of this MD&A.

The determination of the fair value of these investments is the area with the Manager’s most significant accounting judgements and estimates in preparing these financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next reporting period is included in the Notes to the Financial Statements and relates to the determination of fair value of investments with significant unobservable inputs.

The Company uses widely recognized valuation models for determining the fair value of relatively simple financial instruments which are publicly traded, such as debt and equity securities, mutual fund units and warrants that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple OTC derivatives such as forward foreign currency contacts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation, and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Company uses recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and may be derived from market prices or rates or may be estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value.

In determining fair value for instruments for which there is no public market available, the Manager considers: the history and nature of the business; operating results and financial conditions; general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; comparable fund trading and transaction multiples, where applicable; and other pertinent considerations. Adjustments to the carrying value of the investments may also be determined by the Manager when there is pervasive and objective evidence of a decline in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and/or other developments since acquisition.

Significant unobservable inputs are developed as follows:

(i) Enterprise value:

Enterprise Value represents the amount that market participants would pay when purchasing the Portfolio Company. The Manager determines this value based on comparable arm's length transactions in shares of the applicable comparable entity, on revenue multiples, or other valuation methods as appropriate.

(ii) Revenue multiple:

Revenue multiples are selected from comparable public companies based on geographic location, industry, size, target markets, and other factors that the Manager considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the Portfolio Company by its revenue and may be further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and the specific Portfolio Company.

There are risks associated with holding securities that are not publicly traded. It may be relatively difficult for the Company to dispose of its investment in a private Portfolio Company rapidly at favourable prices in connection with adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts.

CHANGES IN ACCOUNTING POLICIES

The Company has determined there were no changes in accounting policy for the six months ended June 30, 2021.

FUTURE CHANGES IN ACCOUNTING POLICIES

The Company has determined there are no IFRS standards that are issued but not yet effective that could materially impact the Company's financial statements.

PENDER

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