MANAGEMENT'S DISCUSSION & ANALYSIS

PENDER GROWTH FUND INC.

Year ended December 31, 2021

PENDER

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated April 7, 2022 presents a review of the financial results for Pender Growth Fund Inc. ("Pender" or the "Company") for the year ended December 31, 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 audited financial statements and the notes thereto for the year ended December 31, 2021 (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 and the companies in which it invests (each a "Portfolio Company"), including the impact of geopolitical events, such as military invasions, humanitarian crises and global health pandemics; concentration of the investment portfolio, future economic and market conditions, including mergers and acquisitions ("M&A") and initial public offering ("IPO") market conditions, future transactions involving its existing Portfolio Companies (including public listing or third party 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. While the Manager considers its expectations, assumptions and projections to be reasonable based on information currently available to it, no assurance can be given that its beliefs and assumptions will prove to be correct. 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 Portfolio Companies rapidly or at favourable prices; the 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; international military combat, 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 (the "TSXV"). 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 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 December 31, 2021 and 2020 is presented in the following table:

Net Assets	December 31, 2021	December 31, 2020
Assets	$ 226,510,729	$ 48,429,247
LESS: Liabilities	27,867,074	1,175,057
EQUALS Net Assets	$ 198,643,655	$ 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 December 31, 2021 and 2020 is presented in the following table:

Net Assets per Share	December 31, 2021	December 31, 2020
Assets	$ 226,510,729	$ 48,429,247
LESS: Liabilities	27,867,074	1,175,057
EQUALS Net Assets	$ 198,643,655	$ 47,254,190
DIVIDED BY Number of Shares Outstanding	7,616,529	7,740,129
EQUALS Net Assets per Share	$ 26.08	$ 6.11

Management Expense Ratio

The Company uses Management Expense Ratio ("MER") to represent the total amount of operating expenses, including management fees, sales taxes and interest but excluding performance fees net of fees waived/expenses absorbed by the Manager, contingent payments, 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.

Global Events

On February 24, 2022, Russia launched a large military invasion of Ukraine. This has resulted in a disruption in the supply of energy resources, a refugee crisis in Europe, global protests and the imposition of sanctions on Russia, which in turn triggered a financial crisis in Russia. The Russian president has placed Russia's nuclear forces on high alert, increasing tension between the West and Russia. The invasion has introduced a new source of uncertainty for financial markets.

The COVID-19 global health pandemic that began in 2019 continues today. In early 2020, it resulted in significant volatility and turmoil in World markets. The negative economic impact of measures taken to contain the virus have been mitigated to a certain extent by fiscal and monetary stimulus, measures taken to reopen world economies, and the development and rollout of vaccines. The situation has had an impact on many entities and the markets for the securities that they issue and that impact may continue.

As economies re-open, the unprecedented levels of monetary and fiscal stimulus provided by North American central banks in response to the COVID-19 global health pandemic is withdrawn through measures such as the raising of interest rates, tapering of asset purchases and moderation of overall government spending. The uncertainty surrounding the ultimate impact of these supports and conversely, their withdrawal, present risk to the economy as a whole and therefore the investment landscape.

Investment results may be affected by future developments and new information that may emerge resulting from Russia's invasion of Ukraine, COVID-19, its variants and the pandemic, and the impact of the withdrawal of central bank stimulus measures, factors which are beyond the Company's control.

Investments

Historically, Pender's investment focus was on 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 December 31, 2021, approximately 26.7% of Pender's portfolio was comprised of investments in public companies. However, taken together with Pender's indirect exposure to public companies through its investment in Pender Private Investments Inc. ("PPI"), public companies make up 95.6% of Pender's holdings. 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 may rise. The opposite may also be true. Usually, the greater the potential reward, the greater the risk.

Where the size of the Company's holdings are large relative to the market, an orderly realization of value may be relatively difficult for the Company to achieve, consequently, the sale of such investments may be subject to delay and may only be possible at substantial discounts.

For smaller companies, start-ups, resource companies and companies in emerging sectors, both the risks and potential rewards of investment may be greater than those of larger, more established companies. Likewise, the share prices of such companies may be more volatile than the those of larger, more established companies. Further, the products and services offered by technology companies, for example, may 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.

M&A markets were active during 2021. Although 2020 was a very active year for Canadian venture capital investment activity, M&A activity levels were very low 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 December 31, 2021, private companies comprised 73.3% of Pender's investment portfolio. This includes Pender's investment in PPI, a private entity that holds public company securities. However, taken together with Pender's indirect exposure to private companies through its investment in PPI, private companies make up 4.4% of Pender's holdings. It may be relatively difficult for Pender to dispose of its investment in any private company rapidly at favourable prices due to weak M&A markets, 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.

In 2021, the Company entered into a three-year credit facility agreement with a Canadian chartered bank that allows Pender to draw up to $10 million by way of 2 tranches of $5 million each, secured against the Company's interest in the private investments held by its investee, PPI. Pender presently holds debt of $5 million under this facility. 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 high proportion of technology company investments in the portfolio, industry concentration, the relatively small number of investments in the portfolio, and the high proportion of the total portfolio that is concentrated in the shares of one publicly listed Portfolio Company, Copperleaf Technologies Inc.

There can be no assurance that the Company will be able to complete divestments of individual Portfolio Companies generally and/or complete an orderly realization of value (at current values or otherwise).

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"), and WOF was renamed Pender Private Investments Inc. Please also refer to the "Recent Developments" section of this MD&A. As at December 31 2021, Pender's investment in Pender Private Investments Inc., which holds an investment portfolio comprised public companies and private companies, represented 70.4% of Pender's aggregate investment portfolio. Investments in private companies are inherently subject to the risks and uncertainties described 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. Refer to the "Recent Developments" section of this

MD&A for further details.

Other risks include the relatively high proportion of early-stage technology company investments in this portfolio, industry concentration and the relatively small number of investments in the portfolio the high proportion of PPI's total portfolio that is concentrated in the shares of one publicly listed Portfolio Company, Copperleaf Technologies Inc.

Class C Shares

The Company's Class C Shares are not redeemable. The Class C Shares trade on 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.

Other risks include the high proportion of technology company investments in the portfolio, industry concentration and the relatively small number of investments in the portfolio.

The risks associated with an investment in Pender are more fully described in its Annual Information Form dated November 8, 2021 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

Investments

2021 turned out to be a solid year for public stock markets. Easy monetary policies and a flood of fiscal stimulus created favorable conditions for business to rebound from pandemic and pushed stock markets higher despite that there are still many factors that could derail economic recovery such as new uncertainty arising out of the Russian invasion of Ukraine and a prolonged COVID situation, supply chain disruptions, labor shortage and surging inflation. In the US, the S&P 500 index (in Canadian dollars) finished the year with a total return of 27.9%. In Canada, a rally in energy prices contributed to the strong performance of the Canadian stock market and the S&P/TSX Composite index recorded a strong return of 25.2%.

During the year ended December 31, 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 are pleased to see certain private technology companies from within our portfolio having the opportunity to go public. In February 2021, our Portfolio Company Tantalus Systems Holding Inc. successfully completed a listing on the TSXV under the symbol "GRID" in a reverse takeover transaction in which it closed a $9.9 million financing. In August 2021, BuildDirect.com Technologies Inc. completed a reverse takeover transaction in which it closed a $20.1 million financing and listed on the TSXV under the symbol "BILD". In October 2021, Copperleaf Technologies Inc. completed an initial public offering of common shares in which it raised $161.1 million and listed on the TSX under the symbol "CPLF". The Company holds shares of both BuildDirect.com Technologies Inc. and Copperleaf Technologies Inc. directly as well as indirectly through its investment in Pender Private Investments Inc.

We are also pleased to see other private technology companies from within our portfolio pursuing M&A opportunities. In August 2021, One45 Software Inc. was acquired by Altus Assessments. Within Pender

Private Investments Inc. portfolio, Redlen Technologies Inc. was acquired by Canon Inc. in September 2021, and Teradici Corporation was acquired by HP Inc. in October 2021.

Canadian venture capital investment activity[1] during 2021 was at record level, with $14.7 billion invested in 752 deals, more than doubling the previous year record year in 2019 recorded by the Canadian Venture Capital Association. The momentum of VC-backed exits continued in 2021, with a total of a record-setting 73 exits and $8.4B in total value, amounting to a 92% increase in the number of exits but a 15% decrease in total value.With the 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.

We continue to work with our core positions, aiming to help these Portfolio Companies build their intrinsic value over the long-term. During 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.

NCIB

During the year ended December 31, 2021, the Company 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 year ended December 31 2021, the Company bought back 123,600 Class C shares at an average price of $5.72, for a total price of $707,307 under this NCIB. From January 1, 2022 to the expiry of the NCIB on Febuary 11, 2022, the Company repurchased 5,900 shares. A total of 129,500 shares was repurchased under NCIB in one-year period at an average price of $6.23.

On February 14, 2022, the Company launched a new NCIB on the TSXV, under which the Company may purchase up to a maximum of 678,839 Shares, representing 10% of its public float at launch date, over the one-year period of this NCIB. The NCIB will continue in effect until February 13, 2023, unless terminated earlier in accordance with its terms.

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. This transaction represented a unique opportunity for Pender to acquire an investment entity holding a portfolio of good companies in the private technology space, our sector of expertise. Pender had invested in Portfolio Companies alongside WOF from time-to-time over the years and in fact, the WOF portfolio includes an investment in BuildDirect.com Technologies Inc. and Copperleaf Technologies Inc., two of our existing Portfolio Companies.

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’s Independent Review Committee 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

[1] Canadian Venture Capital & Private Equity Association: 2021 Canadian Venture Capital Market Overview

shareholders as a dividend.

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., 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 Balanced Shares (series 2) were renamed “Legacy Shares” and each outstanding Balanced Share (series 1) was exchanged for 1.18 Legacy Shares. The price paid for Balanced Shares (series 1) was effectively $1.7977, and for Balanced Shares (series 2) the price paid was $1.5157.

Those shareholders who sold their Venture Series shares ("Exiting Shareholders") had 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 completed on or before November 18, 2021, Exiting Shareholders would receive their pro rata portion of 60% of the net gain; (b) if a divestment completed on or before February 18, 2022, Exiting Shareholders would 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 was entered into on or before February 18, 2022 and such divestment subsequently completed by May 18, 2022, Exiting Shareholders would receive their pro rata entitlement of 20% of the net gain.

The Legacy Shares’ rights and restrictions provide for them to be redeemed by PPI on a pro rata basis at NAV upon any divestment of a portfolio investment. Accordingly, on October 13, 2021, as a result of the divestments of two portfolio investments, PPI redeemed approximately 58.49% of all Legacy Shares on a pro rata basis at a redemption price of approximately $6.4705 per share. The Company received a total of $63,197,947 on redemption of 9,767,089 of the Legacy Shares it held. This redemption triggered a requirement for the Company to pay an additional cash payment of $21,136,513, or $1.2661 per share, to the Exiting Shareholders and the Company made the payment effective October 13, 2021. As at December 31, 2021, the Company held approximately 97% or 6.9 million of the outstanding Legacy Shares.

Because there was no letter of intent, term sheet or binding agreement for a divestment entered into after November 18, 2021 and before February 18, 2022, which was the final period during which an additional exit payment could have been triggered, the right to any additional cash payment has ceased and the Exit Venture Shares are expected to be redeemed automatically during 2022.

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[2], under the 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. We plan to continue using Reporting NAV and Reporting NAV per share while it is relevant, until such time as the unrecognized Day-One Gain is not material relative to total shareholders' equity.

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 to be advanced in 2 tranches, such that the outstanding principal amount at any given time is limited to $5,000,000 (the "Term Loan"). As at December 31, 2021, the Company had drawn $5,000,000 on tranche 1 of the Term Loan, which bore interest at a rate of Prime + 5% 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 PPI held by the Company and in its holdings in its public company investments.

On March 31, 2022, although no cash movement will occur, in accordance with the terms of the CIBC loan agreement, CIBC swept the original $5,000,000 owing under tranche 1 and will have collected prepayment interest of only 6 months (in the amount of $193,027), instead of the interest of approximately 12 months to which it is entitled under the loan agreement. Concurrently the Company made a drawdown on the 2nd $5,000,000 available under tranche 2 of the facility, for which the interest rate will be revised to Prime + 2% (down from Prime + 5%) for a minimum one year term. The loan matures on May 28, 2024.

Outlook

While public stock markets fared well in 2021, there are risks to the sustainability of the recovery and markets are giving mixed signals. We believe that the new uncertainty from Russia's invasion of Ukraine and the uncertainty that remains from the COVID-19 situation could cause market conditions to turn rapidly and unexpectedly. Any potential impact on investment results will depend, to some extent, on the actions taken by governments, the progress of vaccination, new information about the severity of virus variants and the duration of the pandemic. There is plenty of debate over how events will unfold and the situation is, naturally, beyond our control. We will continue to monitor these global events and assess their impacts on the Company and our Portfolio Companies over time.

M&A markets showed strength during 2021. With the 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 with the potential of going public, and we are looking to partner with other companies

[2] 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.

as they take steps to go public.

We are patient investors and continue to work closely with our private Portfolio Companies as well as 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 are cautious and remain fully aware that volatility may be on the horizon.

We have evaluated the potential impact of current global events on each of our Portfolio Companies. COVID-19, for example, has negatively impacted economies around the world, including those in which our Portfolio Companies do business and more information continues to become available as they continue to respond to the challenges and opportunities in the current market, as the situation is signaling improvement.

Any potential impact on investment results will depend on future developments, all of which are beyond our control.

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 good prices to drive performance. We continue to look for best ideas, those that could be potential disruptors or those that trade at significant discounts to intrinsic values.

PORTFOLIO OF INVESTMENTS

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

During the year ended December 31, 2021, we added Peloton Interactive, Inc., Stitch Fix, Inc., Zillow Group, Inc., Freshlocal Solutions Inc. and Jane Software Inc. We also added Pender Private Investments Inc. (PPI), an investment entity, to the portfolio, as described in the “Recent Developments” section of the MD&A. We bought additional securities of several existing publicly listed Portfolio Companies, such as GreenSpace Brands Inc., ProntoForms Corporation, Redline Communiations Group Inc., and Sangoma Technologies Corporation. We divested of the debenture of one of our private Portfolio Companies, Siyata Mobile Inc., that matured in December 2021. We also divested of our entire holdings of six publicly listed Portfolio Companies, AgJunction Inc., BBTV Holdings Inc., Dye & Durham Limited, Spartan Delta Corp., TIMIA Capital Corp. and Wishpond Technologies Ltd. During the year, three of our private Portfolio Companies went public: BuildDirect.com Technologies Inc., Copperleaf Technolgies Inc. and Tantalus Systems Holding Inc..

As at December 31, 2021, the weight of our Portfolio Company holdings was 104.9% of Net Asset Value, an increase of 9.3% over the 95.6% at December 31, 2020, reflecting the use of leverage, and divested of one private Portfolio Company and six publicly listed Portfolio Companies.

Pender’s Net Assets as at December 31, 2021, were comprised of securities of publicly listed companies (28.0%) and private companies (76.9%), with cash and other assets less liabilities making up the remainder (-4.9%). However, considering the make up of the portfolio including the underlying portfolio of our private holding of PPI, an entity that holds both public and private companies, the proportions of Net Assets made up by publicly listed companies and private Portfolio Companies were 114.7% and 5.3%, respectively.

The significant trends and events for Pender’s Portfolio Companies in the year ended December 31, 2021, are described in this section.

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

Investment	December 31, 2021	December 31, 2020
Total Investment	$ 213,495,382	$ 45,186,746
LESS: Deferred gain	5,144,185	-
Net investment	$ 208,351,197	$ 45,186,746

During the period, the company recognized and took into income $27,654,608 of the deferred gain described in the "Recent Developments" section of this MD&A, as PPI divested of two investees and as one of its investees was listed on the TSXV, events that produced an observable input. The December 31, 2021 balance of the deferred gain is $5,144,185.

Significant Equity Investments

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company has determined that it is a significant equity investee in PPI and directly and indirectly, in Copperleaf. Accordingly, we are required to disclose the following summary financial information. The summarized financial information provided is for the comparative financial years.

Pender Private Investments Inc.

PPI is an investment entity that holds a portfolio of companies in the technology sector. The Company acquired shares of PPI during 2021 as further described in the "Recent Developments" section of this MD&A. As at December 31, 2021, the Company held 97% of the outstanding Legacy Shares of PPI as well as 100% of its outstanding Commercialization Shares.

Pender Private Investments Inc.

Selected Financial Information	**December 31, 2021**	**December 31, 2020**
Total assets	$ 192,381,033	$ 62,241,043
Total liabilities	36,238,467	939,485
Total shareholder' equity	156,142,566	61,301,558

	December 31, 2021	**December 31, 2020**
Total revenue	$ 200,888,009	$ (259,311)
Net income (loss)	160,577,610	(2,429,093)

The PPI portfolio includes investments in two entities that are also held directly by the Company, Copperleaf Technologies Inc., and BuildDirect.com Technologies Inc., as well as a number of other investments, including companies described below.

Copperleaf Technologies Inc.

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

On October 7, 2021, Copperleaf's common shares began trading on the TSX under the symbol "CPLF". The company raised $161.1 million at $15.00 per common share in an IPO it completed on October 14, 2021. The Copperleaf shares held by the Company are subject to a 180 day lock up period. There is no guarantee that the value of the Copperleaf shares will be realized after the expiration of the lock up period.

As at December 31, 2021, the Company held 10.9% of Copperleaf's issued and outstanding shares, both directly and through its investment in PPI.

Copperleaf Technologies Inc.

Selected Financial Information	December 31, 2021	December 31, 2020
Total assets	$ 206,042,380	$ 53,638,138
Total liabilities	51,024,372	46,126,279
Total shareholder' equity	155,018,008	7,511,859

	December 31, 2021	December 31, 2020
Revenue	$ 69,283,419	$ 44,519,741
Gross profit	54,913,246	32,412,744
Net loss and comprehensive loss for the year	(6,524,111)	(9,082,558)

Other 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 and seek an orderly realization of that value to achieve returns for our shareholders.

General Fusion Inc.

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.

In the first half of 2021 General Fusion had announced that it will build and operate its fusion demonstration plant at an England-based campus of the UK Atomic Energy Authority. In Q4 2021 General Fusion completed an equity financing round ahead of a larger financing round being prepared for 2022 to help fund the fusion demonstration plant. This initiative is intended to verify whether General Fusion's technology can create fusion conditions in a practical and cost-effective manner at power plant relevant scales potentially leading to the subsequent design of a commercial fusion pilot plant.

Jane Software Inc.

Jane Software Inc. ("Jane") is a software company with a platform that is modernizing practice management software. Jane enables physiotherapists, mental health counsellors, chiropractors, and other allied health practitioners to run their practices in a digital-first way through features such as online booking, charting, scheduling, secure video, and billing. Tens of thousands of healthcare practices globally are running on Jane and in 2021 over 73 million patient appointments were processed on the platform.

Clarius Mobile Health Corp.

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, 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 Janaury 2022, the Company converted its debt and invested an additional $500K in Clarius.

Checkfront, Inc.

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 good 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 start of a return to travel as pandemic restrictions were eased or lifted during the year ended December 31, 2021.

one45 Software Inc.

one45 Software Inc. (“one45”) provides data management software under a software-as-a-service (“SaaS”) model to medical and other healthcare professional schools.

one45 was acquired by Pender in 2010 and grew from an evaluation-only system to a MedEd management platform that powers the unique operations, data collection and reporting needs of over 100 medical schools worldwide. Its analytics offering provides medical schools with deep insights into program, cohort and individual student performance. At its core is a data warehouse engine that allows medical schools to seamlessly integrate and centralize MedEd data sets in near real-time. one45 helps medical schools streamline day-to-day operational details and provides easy access to the data required to optimize programs and student performance.

On August 18, 2021, one45 announced that it had been acquired by Altus Assessments. This resulted in Pender divesting of its entire holding, after having been a proud supporter of one45 throughout its journey. This acquisition marks an important milestone and a significant achievement for one45.

Redlen Technologies Inc.

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.

On September 9, 2021, Redlen reached an agreement with Canon Inc. (“Canon”) to conclude a share transfer agreement, with the goal of enabling Canon to accelerate the development of Photon Counting CT systems and continue to contribute to the advancement of diagnostic imaging. The acquisition was completed on September 28, 2021, resulting in PPI’s divestment of Redlen, as Redlen became a wholly owned subsidiary of Canon.

Teradici Corporation

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.

During Q4 2021, Teradici was acquired by HP Inc. (“HP”) with the goal of enhancing HP’s capabilities in the Personal Systems category by delivering new compute models and software-enabled digital services tailored for hybrid work. The acquisition resulted in PPI’s divestment of this holding.

Publicly listed Companies

During the year ended December 31, 2021, we continued to be patient, fundamental investors. 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 publicly listed investments that were key contributors to or detractors from the performance of our portfolio during the year ended December 31, 2021 and we highlight some of the publicly listed companies new to the portfolio this reporting period, if any.

During the year ended December 31, 2021, three of our private holdings went public. Tantalus Systems Holding Inc., a private Portfolio Company, became publicly listed (TSX:GRID) on completion of its going public transaction in February 2021. Since completing the transaction, Tantalus Systems Holding Inc. continues to focus on delivering innovative smart grid solutions to electric, water and gas utilities and we continue to hold its shares.

BuildDirect.com Technologies Inc. (“BuildDirect”), a Portfolio Company that we hold both directly and indirectly (further described below in this section) completed a go-public transaction in Q3 of this year and its shares were listed on the TSX Venture Exchange and trade under the symbol “BILD”.

In October 2021, Copperleaf Technologies Inc., another Portfolio Company that we hold both directly and indirectly (further described in the “**Significant Equity Investments”** ” section of this MD&A) completed an initial public offering of common shares in which it raised $161.1 million and listed on the TSX under the symbol “CPLF”. Copperleaf provides decision analytics to companies managing critical infrastructure.

Key positive publicly listed contributors to the Company’s performance for the year ended December 31, 2021 included Copperleaf Technologies Inc. (TSX: CPLF), Spartan Delta Corp. (TSX:SDE), and Inscape Corporation (TSX:INQ).

On the flip side, the portfolio saw some of its publicly listed holdings incur losses during the year ended December 31, 2021. BuildDirect.com Technologies Inc. (TSXV:BILD), GreenSpace Brands Inc. (TSXV:JTR), and Peloton Interactive, Inc. (NASDAQ: PTON) 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 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 year ended December 31, 2021, we sold AgJunction Inc. (TSX:AJX), BBTV Holdings Inc. (TSX:BBTV), Dye & Durham Limited (TSX:DND), Spartan Delta Corp. (TSX:SDE), TIMIA Capital Corp. (TSXV:TCA), and Wishpond Technologies Ltd. (TSXV:WISH). The Siyata Mobile Inc. (TSXV:SIM) debenture we held in our portfolio matured in December 2021. We received principal and interest payments in cash and closed out this investment.

We are constantly looking for new investment ideas and, we added four public company holdings to the portfolio during the year ended December 31, 2021. Below we discuss each of new names briefly, in alphabetical order.

BuildDirect.com Technologies Inc. (TSXV: BILD)

BuildDirect.com Technologies Inc. ("BuildDirect"), a Portfolio Company that we hold both directly and indirectly, 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 Q3 2021, BuildDirect completed a go-public transaction and its shares were listed on the TSX Venture Exchange and trade under the symbol "BILD".

Freshlocal Solutions Inc. (TSX:LOCL)

Freshlocal Solutions Inc. ("Freshlocal"), formerly Spud.ca provides end to end grocery e-commerce solutions. Freshlocal is comprised of 3 business units: 1) online grocery offered through Spud.ca; 2) retail stores under the banners Blush Lane in Calgary and Edmonton and Be Fresh in BC; and 3) the eGrocery management platform that offers a complete end-to-end solution for logistics, automation and supply chain management for eGrocery services offered by grocery retailers. Freshlocal closed a brokered private placement of convertible debenture units with an 8% coupon and one-half of a warrant in December 2021 and we participated in the transaction.

Peloton Interactive, Inc. (NASDAQ:PTON)

Peloton Interactive, Inc. ("Peloton") provides interactive fitness platforms in North America and internationally. It offers connected fitness products with touchscreens that stream live and on-demand instructor-led classes for its millions of members. Peloton products include the Peloton Bike, Peloton Bike+, Peloton Tread, and Peloton Digital app that provides subscribers access to its classes on moblie devices or smart TVs. We added Peloton to the portfolio in December 2021.

Stitch Fix, Inc. (NASDAQ:SFIX)

Stitch Fix, Inc. ("Stitch Fix") is an online personal styling service that is reinventing the shopping experience with a combination of data science and human judgement, delivering personalization, one-to-one with stylists. Stitch Fix sells a range of apparel, shoes, and accessorites to women, men, and kids. We added Stitch Fix to the portfolio in December 2021.

Zillow Group, Inc. (NASDAQ:ZG)

Zillow Group, Inc. ("Zillow") is a digital real estate company. Zillow operates a website where home-owners and buyers can find for free the estimated market value of millions of homes in America. Zillow and its affiliates offer customers various real estate transaction services including selling, buying, renting or financing. We added Zillow to the portfolio in December 2021.

Portfolio Turnover

The Company's portfolio turnover was 90.4% during the year ended December 31, 2021 (December 31, 2020 – 71.4%). 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 may result in lower trading costs and may reduce realized capital gains and losses. In 2021, Pender's return on its investment portfolio under IFRS was 326.4%.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

As long-term, high-conviction investors, our goal is to create long-term capital appreciation for our shareholders, continuing to build on the Class C Shares' 32.3% 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 that may not be indicative of the underlying 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 $151,389,465, or 320.4%, during the year ended December 31, 2021, to a level of $198,643,655 up from $47,254,190 at December 31, 2020. This increase was the result of investment performance of $168,452,390, interest income of $335,229 and total performance fee recovery of $8,493,260, less operating costs, and income taxes of $25,184,107, and less share repurchases of $707,307 under the NCIB described in the "Recent Developments" section of this MD&A.

During the year ended December 31, 2021, Net Assets per Share ranged from $5.82 to $27.09, while our closing price per share on the TSXV ranged from a high of $21.30 per share to a low of $4.20. During the year, the shares traded at prices representing a premium to Net Assets per Share of 105.00% to a discount of 35.64%.

There were no discontinued operations during the year ended December 31, 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 December 31, 2021 are listed under the "Summary of Investment Portfolio" section of this MD&A.

QUARTERLY PERFORMANCE

As reported in Pender's unaudited semi-annual financial statements as at June 30, 2021, in the first half of the year the value of the Company's Net Assets went from $47,254,190 to $56,619,571, this 19.8% increase was attributable to positive investment performance. A increase in Net Assets per Share by 0.5% from $6.11 to $6.13 in the first quarter of 2021 (Q1) was followed by a 21.0% increase in Net Assets per Share during the second quarter of 2021 (Q2), from $6.13 to $7.42.

In the third quarter of 2021 (Q3) Net Assets per Share went from $7.42 to $17.31, a 133.3% increase attributable to investment performance net of total expenses of the Company. This was followed by a fourth quarter (Q4) increase in Net Assets per Share from $17.31 to $26.08, a 50.7% total increase attributable mainly to investment performance.

The Company's Net Assets ended Q4 at $198,643,655 versus $131,875,559 as at September 30, 2021. This $66,768,096 increase for the three months ended December 31, 2021 was attributable to investment performance of $56,325,680, interest income of $109,217 and total performance fee recovery of $75,308, plus the net of operating costs, contingent payment and income taxes of $10,257,891.

SELECTED FINANCIAL INFORMATION

The following tables present selected key financial information about the Company to provide an understanding of the Company's financial condition and financial performance as at December 31, 2021, and for the three preceding financial years. This section should be read together with the the Annual Audited Financial Statements.

Supplemental Data

	2021	2020	2019	2018
Net Assets ($000s)	198,644	47,254	33,833	17,205
Non-Redeemable Class C Shares Outstanding	7,616,529	7,740,129	8,083,329	4,152,545
Net Assets per Share ($)	26.08	6.11	4.19	4.14
Closing Market Price* ($)	18.00	4.35	3.75	3.10
Total Increase (Decrease) from Operations per Share ($)	19.90	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	2020	2019	2018
Net realized gain	$ 52,499,738	$ 6,950,223	$ 591,257	$ -
Change in net unrealized gain (loss)	115,906,623	8,096,531	1,923,769	(678,949)
Foreign exchange gain (loss)	46,029	(50,541)	(7,586)	2,987
Dividend, interest and securities lending income	335,229	1,798,393	634,941	3,370
Total revenue	168,787,619	16,794,606	3,142,381	(672,592)
Management fees	(987,960)	(821,648)	(633,499)	(472,524)
Withholding taxes, GST/HST and transactions cost	(662,650)	(194,101)	(22,985)	-
Other expenses	(988,976)	(394,898)	(423,016)	(280,216)
Total operating expenses	(2,639,586)	(1,410,647)	(1,079,500)	(752,740)
Net operating income (loss)	**166,148,033**	**15,383,959**	**2,062,881**	**(1,425,332)**
Other items:				
Performance fees	(36,991,288)	(1,211,315)	-	-
Performance fees waived by the Manager	9,247,822	302,829	-	-
Net amount	(27,743,466)	(908,486)	-	-
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	36,236,726	-	-	-
Total performance fee recovery	8,493,260	(908,486)	-	-
Net income (loss) before income taxes	**174,641,293**	**14,475,473**	**2,062,881**	**(1,425,332)**
Income tax expenses				
Current	(3,031,126)	-	-	-
Deferred	(19,513,395)	-	-	-
Total income tax expenses	(22,544,521)	-	-	-
Net comprehensive income (loss)	**$ 152,096,772**	**$ 14,475,473**	**$ 2,062,881**	**$ (1,425,332)**
Management expense ratio	2.29%	3.20%	3.94%	4.18%
Trading expense ratio	0.77%	0.51%	0.09%	0.00%

Financial performance for the year ended December 31, 2021

Highlights of the factors contributing to Pender's investment performance in the year ended December 31, 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 year ended December 31, 2021, the net realized gain on investments was $ 52,499,738 (December 31, 2020 – net realized gain $6,950,223), attributable to the full divestment of shares of AgJunction Inc., BBTV Holdings Inc., Dye & Durham Limited, Spartan Delta Corp., TIMIA Capital Corp., Wishpond Technologies Ltd., the maturity of a Siyata Mobile Inc. debenture, the partial divestment of a Private Company and certain publicly listed Portfolio Companies, including Redline Communications Group Inc., Sangoma Technologies Corporation and Tantalus Systems Holding Inc.

(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 year ended December 31, 2021, Pender's net change in unrealized gain on investments reflected a gain of $115,906,623 (December 31, 2020 – gain of $8,096,531), as a result of increases in the value of private Portfolio Companies, 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 year ended December 31, 2021, Pender had a foreign exchange gain of $46,029 (December 31, 2020 - a loss of $50,541). 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 $335,229 of interest and securities lending income during the year ended December 31, 2021 (December 31, 2020 - $1,798,393). The decrease in the period was due to the fact that no dividend income was earned. Interest income was earned on the loans and convertible debentures held during the period.

(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 year ended December 31, 2021, the increase in management fees paid by the Company reflected the increase in the level of Net Assets. Subsequent to the WOF Transaction, Net Assets used in the management fee calculation excluded the value of the Company's investment in PPI. 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 $987,960 for the year ended December 31, 2021, which was $166,312 higher than the fee of $821,648 in the year ended December 31, 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.

Performance fees are accrued during the year, and the total performance fee for the year, if any, is as calculated on the last Valuation Date of the year and becomes payable upon the publication of the Company's annual audited financial statements.

The Manager shall pay to the Company an amount equal to the portion of the PPI performance fee earned by the Manager that is attributable to the Company's ownership of PPI Shares, or 97%, which the Manager has agreed to pay to the Company.

During the year ended December 31, 2021, the Company incurred performance fees of $36,991,288 (December 31, 2020 – $1,211,315). The Manager agreed to waive part of the performance fee, reducing the fee to 15% instead of 20%, for a reduction of $9,247,822 (December 31, 2020 – $302,829). The net performance fee accrual was $27,743,466 (December 31, 2020 - $908,486).

Of this net performance fee accrual of $27,743,466, $5,228,870 results from performance fees calculated upon net realized gains and this amount will be paid to the Manager upon publication of the Company's annual audited financial statements.

The portion of the net performance fee accrual that relates to the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf was $22,514,596. The Manager, in its sole discretion, has agreed that this portion of the net perfomance will not be paid upon the publication of the financial statements. Instead, the performance fee will be recalculated and paid quarterly, based on (1) the realized gain on the Company's direct holdings of Copperleaf and (2) the realized gain on the first 80% of the Company's indirect holdings of Copperleaf. After the first 80% of the Company's indirect holdings of Copperleaf are sold, the performance fee on the unrealized appreciation on the remaining 20% of the Company's indirect holdings of Copperleaf will be paid. The High Water Mark will be recalculated accordingly.

During the year ended the Company accrued the receivable from the Manager $36,236,726 (December 31 2020 – $Nil) as the PPI performance fee earned by the Manager that is attributable to the Company's ownership of PPI Shares. During the year ended the Company received $2,085,913 related performance fees incurred by PPI for net divestment proceeds received, the remaining $34,150,813 is due from the Manager and relates to performance fees relating to valuation adjustments at PPI, which are accrued but not payable until a divestment occurs, at which time the performance fee payable will be recalculated based on the final Net Divestment Proceeds and will be paid to the manager.

The net impact of these two performance fee related items, the net performance fee expenses adjusted for the performance fees the Manager earned from PPI that were paid to the Company, was a performance fee recovery of $8,493,260 (2020 – performance fee expenses $908,486).

(g) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total MER Costs by the average Net Assets. The MER for the year ended December 31, 2021 was 2.29%, 0.91% lower than the 3.20% MER during the year ended December 31, 2020, primarily due to the increase in the average value of Net Assets exceeded the increased operating expenses in 2021.

The performance fees are excluded from MER Costs. During the year ended December 31, 2021, the performance fee expense of the Company was 32.16% of average Net Assets (December 31, 2020 – 2.38%)

(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 year ended December 31, 2021 is 0.77% (December 31, 2020 – 0.51%), 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.

(i) Income tax expense

The Company has accrued current income taxes expense of $ 3,031,126 (December 31, 2020 - $Nil) and deferred income taxes expenses $19,513,395 (December 31, 2020 - $Nil) relating to its estimate of taxable income.

Financial Highlights

Net Assets per Share (Note 1)	**2021**	**2020**	**2019**	**2018**
Net Assets per Share (beginning of year)	$6.11	$4.19	$4.14	$4.49
Increase (decrease) from operations:				
Total revenue	0.04	0.23	0.09	0.00
Total expenses	(2.18)	(0.29)	(0.16)	(0.18)
Realized gains	6.87	0.88	0.09	0.00
Unrealized gains (losses)	15.17	1.02	0.29	(0.17)
Total increase (decrease) from operations	19.90	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 year)	$26.08	$6.11	$4.19	$4.14
Ratios and Supplemental Data				
Total net asset value ($000s)	$198,644	$47,254	$33,833	$17,205
Number of shares outstanding	7,616,529	7,740,129	8,083,329	4,152,545
Closing market price	$18.00	$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

		December 31, 2021		December 31, 2020
Assets				
Cash	$	10,008,858	$	1,789,278
Due from related parties		6,243,402		-
Divestment proceeds receivable		1,671,449		667,631
Interest receivable		198,210		52,075
Prepaid expenses		37,613		4,243
Receivable for investments sold		-		729,274
Investments		208,351,197		45,186,746
Total assets		226,510,729		48,429,247
Liabilities				
Current liabilities				
Income taxes payable		3,031,126		-
Accounts payable and accrued liabilities		203,940		116,184
Payable for investments purchased		86,976		-
Interest payable		31,637		-
Due to related parties		-		1,058,873
Total current liabilities		3,353,679		1,175,057
Non-current liabilities:				
Deferred Income tax liability		19,513,395		-
Loan payable		5,000,000		-
Total non-current liabilities		24,513,395		-
Total liabilities		27,867,074		1,175,057
Shareholders' equity	$	198,643,655	$	47,254,190

(a) Investments

As at December 31, 2021, Pender's investments of $208,351,197 comprised publicly listed Portfolio Companies valued at $55,674,269 plus unlisted Portfolio Companies, including PPI, valued at $157,821,113, less the deferred gain of $5,144,185 described in the "Recent Developments" section of this MD&A.

Considering the make up of the portfolio including the underlying portfolio of our private holding of PPI, an entity that holds both public and private companies, the proportions of Net Assets made up by publicly listed companies and private Portfolio Companies were 114.7% and 5.3%, respectively.

The increase in the total investments balance of $163,164,451 from its $45,186,746 level December 31, 2020 is a result of the purchase of PPI under the WOF Transaction, net of the divestment of shares of some directly and indirectly held investments and the net change in unrealized appreciation of private Portfolio Companies. Please refer to "Recent Developments" and "Portfolio of Investments" sections of this MD&A for a discussion of certain Portfolio Companies and significant factors that affected them in the year ended December 31, 2021.

The deferred gain of $5,144,185 (December 31, 2020 - $Nil) represents the difference between the discounted price the Company paid for the shares of PPI acquired and the full value of PPI at the date of acquisition. Under IFRS, this Day-One Gain is not recognized as income and so it is excluded from total shareholders' equity per share for financial reporting purposes and it is instead 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. During the year, the company recognized a deferred gain of $27,654,608.

(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 $10,008,858 cash balance at December 31, 2021 was $8,219,580 higher than the $1,789,278 balance at December 31, 2020. This increase in cash was primarily due to the proceeds on disposal of investments, plus the loan described in the "Recent Developments" section of this MD&A, which exceeded payments for purchase of investments in the period, and 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

At December 31 2021, divestment proceeds of $1,671,449 were receivable from a private Portfolio Company that was divested in the period. The $667,631 balance due at December 31, 2020 related to the disposition in prior year(s) of the shares two other private Portfolio Companies and was received in the year.

(d) Interest Receivable

The $198,210 interest receivable balance relates to interest on loans and convertible debentures issued to Portfolio Companies.

(e) Due from related parties

The $6,243,402 balance due from related parties as at December 31, 2021 is from a due from related parties of $34,150,813 related to the above described receivable from the Manager for performance fees the Manager earned from PPI, offset by a due to related parties amount of $27,907,411 (December 31, 2020 – due to related parties $1,058,873) related to normal course management fees, performance fees net of fees waived by the Manager and operating expenses paid on behalf of the Company.

(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 year ended December 31, 2021, this balance increased by $87,756 to $203,940 in the normal course of business, but also due to additional audit costs related to the WOF Transaction described in the "Recent Developments" section of this MD&A.

(g) 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 by way of 2 tranches of $5 million each. As at December 31, 2021, the balance drawn on the facility was $5 million (December 31, 2020 - $Nil).

(h) Income taxes payable

The Company has accrued current income taxes payable of $ 3,031,126 (December 31, 2020 - $Nil), and defered income tax liability $19,513,395 (December31, 2020 - $Nil) relating to its estimate of taxable income.

(i) Shareholders' equity

Shareholders' equity represents the equity in the Company owned by the holders of the 7,616,529 non-redeemable Class C common shares outstanding as at December 31, 2021 (December 31, 2020 - 7,740,129). The decrease of 123,600 Class C Common Shares during the year ended December 31, 2021 reflects shares repurchased under the NCIB described in the "Recent Developments" section of this MD&A.

Cash Flows

For the year ended December 31, 2021, Pender's cash balance increased by $8,219,580, primarily due to the excess of proceeds on disposal of investments plus loan proceeds, over cash deployed to purchase investments, expenses and the cost of share repurchases under the NCIB described in the "Recent Developments" section of this MD&A.

Shareholder Activity

During the year ended December 31, 2021, the Company repurchased 123,600 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 7,616,529 as at December 31, 2021. From January 1, 2022 through to the expiry of its NCIB on February 11, 2022, the Company repurchased 5,900 Class C Shares, bringing the total purchased under the NCIB to 129,500 shares in the one-year period.

On May 10, 2019, the Company completed a secondary offering of Class C shares on the TSXV for aggregate proceeds of $15,330,058 including the syndicate of agents' purchase of over-allotment. 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. A total of 3,930,784 Class C shares were issued, increasing 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 November 8, 2021.

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 Q4	2021 Q3	2021 Q2	2021 Q1
Net realized gain	$ 36,241,413	$ 11,759,663	$ 1,908,681	$ 2,589,981
Change in net unrealized gain (loss)	20,038,238	76,193,222	21,584,389	(1,909,226)
Foreign exchange gain	46,029	-	-	-
Dividend, interest and securities lending income	109,217	41,373	89,113	95,526
Total revenue	56,434,897	87,994,258	23,582,183	776,281
Management fees	(173,086)	(312,570)	(241,069)	(261,235)
Withholding taxes, GST/HST and transaction costs	(24,025)	(104,523)	(278,726)	(255,376)
Other expenses	(294,265)	(301,745)	(270,696)	(122,270)
Total operating expenses	(491,376)	(718,838)	(790,491)	(638,881)
Net operating income	55,943,521	87,275,420	22,791,692	137,400
Other items:				
Performance fees	(16,642,497)	(18,774,287)	(1,574,504)	-
Performance fees waived by the Manager	4,160,624	4,693,572	393,626	-
Net amount	(12,481,873)	(14,080,715)	(1,180,878)	-
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	12,557,181	23,679,545	-	-
Total performance fee recovery (expenses)	75,308	9,598,830	(1,180,878)	-
Contingent payment	21,136,513	(9,377,925)	(11,758,588)	-
Net income before income taxes	77,155,342	87,496,325	9,852,226	137,400
Income tax expenses				
Current	(3,031,126)	-	-	-
Deferred	(7,356,120)	(12,157,275)	-	-
Total income tax expenses	(10,387,246)	(12,157,275)	-	-
Net comprehensive income	**$ 66,768,096**	**$ 75,339,050**	**$ 9,852,226**	**$ 137,400**
Net Assets per Share (beginning of period)	$ 17.31	$ 7.42	$ 6.13	$ 6.11
Net Assets per Share (end of period)	$ 26.08	$ 17.31	$ 7.42	$ 6.13

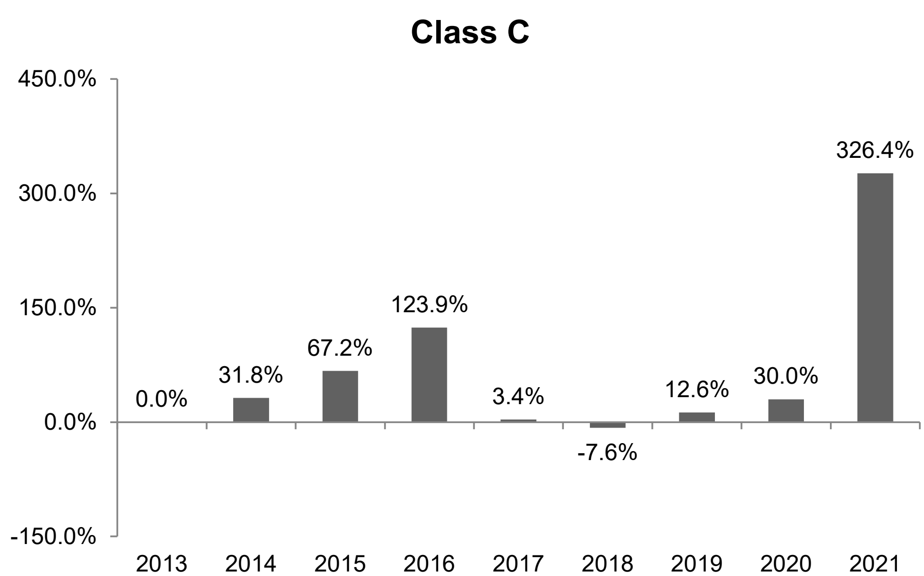
SUMMARY OF QUARTERLY RESULTS (CONTINUED)

	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Net realized gain	$ 2,968,126	$ 2,949,137	$ 437,666	$ 595,295
Change in net unrealized gain (loss)	5,223,971	(22,333)	4,195,453	(1,300,561)
Foreign exchange gain (loss)	(41,740)	16	(10,053)	1,236
Dividend, interest and securities lending income	1,475,828	109,721	120,517	92,327
Total revenue	9,626,185	3,036,541	4,743,583	(611,703)
Management fees	(231,772)	(208,271)	(192,690)	(188,914)
Withholding taxes, GST/HST and transaction costs	(125,038)	(22,741)	(18,186)	(28,136)
Other expenses	(105,371)	(74,550)	(90,089)	(124,889)
Total operating expenses	(462,181)	(305,562)	(300,965)	(341,939)
Operating income (loss)	9,164,004	2,730,979	4,442,618	(953,642)
Other items:				
Performance fees	(1,211,315)	-	-	-
Performance fees waived by the Manager	302,829	-	-	-
Net amount	(908,486)	-	-	-
Net income before income taxes	8,255,518	-	-	-
Income tax expenses	-	-	-	-
Net comprehensive income (loss)	**$ 8,255,518**	**$ 2,730,979**	**$ 4,442,618**	**$ (953,642)**
Net Assets per Share (beginning of period)	$ 5.03	$ 4.66	$ 4.08	$ 4.19
Net Assets per Share (end of period)	$ 6.11	$ 5.03	$ 4.66	$ 4.08

PAST PERFORMANCE

To illustrate how the Company's performance has varied over time, the following bar chart shows performance for the year ended December 31, 2021 and for each of the previous years ended December 31. The bar charts show, in percentage terms, how much an investment made at the beginning of the period would have grown or decreased by the end of the period based on shareholders' equity. 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 described in the Recent Developments section of this MD&A. In addition, the information presented 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 period 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*	76.9
Stitch Fix, Inc.	4.9
Inscape Corporation, Class B	3.9
Copperleaf Technologies Inc.[1]	3.1
Zillow Group, Inc.	2.7
Sangoma Technologies Corporation	2.5
Peloton Interactive, Inc.	2.3
GreenSpace Brands Inc.	2.1
Freshlocal Solutions Inc., 8%, 12/31/2024	1.5
ProntoForms Corporation	1.4
Quorum Information Technologies Inc.	1.0
Redline Communications Group Inc., 10%, 11/22/2024	0.7
Tantalus Systems Holding Inc.	0.5
BuildDirect.com Technologies Inc.	0.4
GreenSpace Brands Inc., 12%, 10/01/2022	0.4
Vigil Health Solutions Inc.	0.4
MAV Beauty Brands Inc.	0.1
Redline Communications Group Inc.	0.1

Summary of Composition of the Portfolio

	% OF NET ASSETS
Pender Private Investments	73.9
Information Technology	8.8
Consumer Discretionary	7.6
Consumer Staples	4.1
Industrials	3.9
Real Estate	2.7
Health Care	2.4
Software and Services	1.0
Technology Hardware and Equipment	0.5
TOTAL INVESTMENTS	**104.9**
Cash	5.0
Other assets less liabilities	(9.9)
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
Pender Private Investments Inc., Commercialization Shares[2]
Pender Private Investments Inc., Legacy Shares[2]

PREFERRED SHARES
Checkfront, Inc., Series A-2
D-Wave Systems Inc.
Jane Software Inc.

CONVERTIBLE DEBENTURES
Clarius Mobile Health Corp., 10%, 12/31/2023

[1] Copperleaf is the Company's largest single public company holding, representing 89.5% of the Company's Shareholder's Equity, including both its direct holdings and its indirect holdings investment through its investment in Pender Private Investments Inc.

[2] Considering the make up of the portfolio including the underlying portfolio of our private holding of PPI, an entity that holds both public and private companies, the proportions of Shareholder's Equity made up by publicly listed companies and private Portfolio Companies were 114.7% and 5.3%, respectively.

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 December 31, 2021 the Company had 7,616,529 Class C Shares outstanding.

TRANSACTIONS BETWEEN RELATED PARTIES

As at December 31, 2021, the Manager and directors and officers of the Company held 10.0% of the Company's Class C Shares, directly and/or indirectly. 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. Subsequent to the WOF Transaction, Net Assets used in the management fee calculation excluded the value of the Company's investment in PPI. The management fee expense is $987,960 for the year ended December 31, 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 year ended December 31, 2021, performance fees accrued were $36,991,288 (2020 - $1,211,315), of which $9,247,822 (2020 - $302,829) was waived by the Manager. Performance fees are accrued during the year, and the total performance fee, if any, calculated on the last Valuation Date of the year are payable upon the publication of the Company's annual audited financial statements.

Of this net performance fee accrual of $27,743,466, $5,228,870 results from performance fees calculated upon net realized gains and this amount will be paid to the Manager upon publication of the Company's annual audited financial statements.

The portion of the net performance fee accrual that relates to the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf was $22,514,596. The Manager, in its sole discretion, has agreed that this portion of the net perfromance will not be paid upon the publication of the financial statements. Instead, the performance fee will be recalculated and paid quarterly, based on (1) the realized gain on the Company's direct holdings of Copperleaf and (2) the realized gain on the first 80% of the Company's indirect holdings of Copperleaf. After the first 80% of the Company's indirect holdings of

Copperleaf are sold, the performance fee on the unrealized appreciation on the remaining 20% of the Company's indirect holdings of Copperleaf will be paid. The High Water Mark will be recalculated accordingly.

The Manager 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, as described in the "Recent Developments" section of this MD&A, and in so doing acquired 97% of PPI, a company that is also managed by the Manager. The Manager shall pay to the Company an amount equal to the portion of the PPI performance fee earned by the Manager that is attributable to the Company's ownership of PPI Shares, or 97%. During the year, the Company accrued the receivable from the Manager $36,236,726 as the PPI performance fee earned by the Manager that is attributable to the Company's ownership of PPI Shares. The Company received $2,085,913 related performance fees incurred by PPI for net divestment proceeds received, the remaining $34,150,813 is due from the Manager.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2021, the Company was in a solid liquidity position, with cash of $10,008,858 comprising 5.0% of the value of its Net Assets, and investments in publicly traded securities of $50,497,509 or 25.4% of the value of its Net Assets.

Should the future composition of its portfolio be weighted significantly more toward 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 company 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 change 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.

CHANGES IN ACCOUNTING POLICIES

The Company has determined there were no changes in accounting policy for the year ended December 31, 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.

MANAGED BY:
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