

**SEMI-ANNUAL MANAGEMENT REPORT  
OF FUND PERFORMANCE**

**Pender Growth Fund (VCC) Inc.**

For the six month period ended June 30, 2015

**PENDER**

This interim management report of Fund Performance contains financial highlights but does not contain either the interim financial report or annual financial statements of the investment fund. You can get a copy of the interim financial report or annual financial statements at your request, and at no cost, by calling toll-free (866) 377-4743, or by writing to us at 1640 – 1066 West Hastings St., Vancouver, BC V6E 3X1, or by visiting our website at [www.pendergrowthfund.com](http://www.pendergrowthfund.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### Results of Operations

Pender Growth Fund (VCC) Inc's (The "Fund") value as of June 30, 2015 increased overall to \$16,951,854 from \$14,037,095 at December 31, 2014. The Fund's value increased \$2,914,759 due to an increase of \$2,963,984 in market value, offset by a decrease of \$49,225 due to redemptions of the Fund's shares. The Fund's performance is further discussed below.

At June 30, 2015, the Fund's investment portfolio consisted of investments in public and private companies valued at \$12,417,163 and cash of \$155,078. The sectors in which the Fund was invested at June 30, 2015 can be found under "Summary of Investment Portfolio".

For the period ended June 30, 2015, the Fund made investments totaling \$407,628 and dispositions totaling \$4,942,632, including the following:

- Loans to BasicGov Systems, Inc. totaling \$375,000; and
- Sale of its interest in Monexa Services Inc., resulting in aggregate cash proceeds of \$4,295,144. The Fund may also receive up to an additional \$796,862, to be held in escrow for 15 months.

During the period, the Fund borrowed \$500,000 from an institutional dealer, representing 3% of the Fund's net assets. The loan accrues interest at prime rate plus 2%, is payable on demand, and is secured by publicly-traded investments within the Fund's investment portfolio. Subsequent to the end of the period, on August 11, 2015, the loan plus accrued interest was fully repaid.

### Recent Developments

We continue to be active with our core positions, helping these companies build their intrinsic value over the long term. We also continue to look at ways of reducing the Fund's expenses in order to maximize distributions to shareholders upon the successful sale of individual portfolio companies.

The Fund's largest investment is in QHR Technologies Inc. ("QHR"). QHR provides medical records software and related products to the medical industry. QHR is the dominant player in a growing and fragmented industry and is well positioned to continue to grow its market share. In the most recently reported quarter ended March 31, 2015, QHR generated \$6.2 million of revenue from the electronic medical records "EMR" segment, representing 18% year-over-year growth. The recurring revenue run-rate increased to \$24.8 million and was 83% of the company's overall revenue. QHR recently sold its US-based revenue cycle management division and completed an acquisition of Jonoke, a private EMR provider with 750 physicians.

During the period, the Fund took the initiative to restructure QHR's board of directors. As a result, Kelly Edmison, Neil McDonnell and Garth Albright, nominees of the Fund, were appointed to the board of directors in June. Subsequent to the changes made to the board, QHR also appointed a new CEO in June. We continue to be optimistic about the company's growth and value prospects.

One of the Fund's significant investments in a private company is D-Wave Systems Inc., the maker of one of the world's only quantum computers. It has been developing its products for 15 years and has attracted investments from major US venture capital groups and contracts from a number of major US defense and technology companies. It raised a total of \$62 million in new capital in 2014 at a significant increase in value. Although it may take many years, it appears that D-Wave is continuing to make progress towards becoming a valuable, commercially viable enterprise.

Finally, another of the Fund's significant investments in a private company is One45 Software Inc., a Software-as-a-Service provider of scheduling software to medical and other professional schools. The company is profitable and its revenue continues to grow at an annual rate of 20% and is becoming more valuable year-over-year.

### Status of redemptions

As at June 30, 2015, the Fund has received redemption requests for Class R Shares and conversion requests for Class B Shares as set out in the following table.

The table also sets out the total funds required by the Fund to redeem these outstanding redemptions at the current redemption price of \$4.16 per Class R Share. Redemption requests received by the Fund in any given year by November 30<sup>th</sup> have priority over redemption requests received by the Fund in all subsequent years.

YEAR OF REQUEST	CLASS B SHARES	CLASS R SHARES	\$ TO REDEEM
2012	-	275,258	\$ 1,145,073
2013	79,130	739,160	3,404,086
2014	74,103	260,519	1,392,027
2015	18,798	70,517	371,550
Unsubmitted	167,722	564,053	3,044,185
<b>TOTAL</b>	<b>339,753</b>	<b>1,909,507</b>	<b>\$ 9,356,921</b>

Subsequent to the end of the period, the Fund completed the sale of one of its significant investments within its investment portfolio, resulting in aggregate cash proceeds of \$4,295,144. The fund intends to use the proceeds, in part, to redeem all remaining redemption requests submitted in 2012 and 50% of redemption requests submitted in 2013. The Fund will require \$2,847,116 to process these redemptions and expects to be completed on or about August 31, 2015.

## Recent Developments (Continued)

### **Status of redemptions (Continued)**

Should the Fund process additional redemptions at a future date, such redemptions will be processed, in whole or in part, at the then current redemption price of Class R Shares. The redemption price on that future date may be significantly lower than the Class R Share redemption price of \$4.16 per share as at June 30, 2015.

Unredeemed redemption requests in a given year have priority over any future redemption requests received by the Fund.

The ability of the Fund to redeem these shares is dependent on its ability to successfully realize the value inherent in its investment portfolio, which is comprised of both public and private investments. The valuation of private investments, for which there is no published market, is inevitably based on inherent uncertainties. Accordingly, at June 30, 2015, there is uncertainty as to whether the fair value ascribed to these securities will be realized on eventual disposition.

The Fund will update its shareholders on the status of redemptions as further determinations are made. The Manager continues to work diligently to achieve liquidity and profitable realizations.

## Related Party Transactions

The Fund pays a fee to PenderFund Capital Management Ltd., the Manager of the Fund, for management and portfolio advisory services (see "Management Fees"). The Manager also recovers certain operating expenses incurred by it on behalf of the Fund.

At June 30, 2015, shareholders, directors and officers of the Manager directly or indirectly held less than 2% of the shares of each class of the Fund.

Directors and officers of the Fund directly or indirectly own 380,260 shares (or 6% of the company's outstanding shares) of Santa Rosa Resources, a company also held by the Fund.

## Management Fees

The Fund pays management fees calculated at an annual rate of 2.75% of the Fund's value (plus GST). The management fee is calculated as a percentage of the Fund's value on the last valuation date of each month. The Manager also recovers certain operating expenses incurred by it on behalf of the Fund.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund. The information is intended to help you understand the Fund's financial performance for the six month period ended June 30, 2015 and for the years ended December 31<sup>st</sup> for the remaining years. Class B Shares and Class R Shares are compound financial instruments, consisting of equity and liability components. For the purposes of the following tables, Class R Shares and Class B Shares are viewed as equity components of the Fund.

### Fund's Net Assets per Share <sup>(a)</sup>

	\$	\$	\$	\$	\$	\$
	2015	2014	2013	2012	2011	2010
<b>CLASS B SHARES</b>						
Net assets - beginning of period	5.32	5.04	4.20	4.40	4.79	5.21
<b>INCREASE (DECREASE) FROM OPERATIONS</b>						
Total revenue	0.03	0.04	0.05	0.04	0.11	0.05
Total expenses	(0.09)	(0.17)	(0.19)	(0.20)	(0.25)	(0.21)
Realized gains (losses)	0.83	(0.35)	0.04	0.11	(0.56)	(1.02)
Unrealized gains (losses)	(0.02)	0.76	0.94	(0.19)	0.31	0.68
<b>TOTAL INCREASE (DECREASE) FROM OPERATIONS (b)</b>	<b>0.75</b>	<b>0.28</b>	<b>0.84</b>	<b>(0.24)</b>	<b>(0.39)</b>	<b>(0.50)</b>
<b>DISTRIBUTIONS</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>TOTAL ANNUAL DISTRIBUTIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS - END OF PERIOD</b>	<b>6.07</b>	<b>5.32</b>	<b>5.04</b>	<b>4.16</b>	<b>4.40</b>	<b>4.79</b>
	\$	\$	\$	\$	\$	\$
	2015	2014	2013	2012	2011	2010
<b>CLASS C SHARES</b>						
Net assets - beginning of period	1.16	0.88	0.04	0.24	0.63	1.05
<b>INCREASE (DECREASE) FROM OPERATIONS</b>						
Total revenue	0.03	0.04	0.05	0.04	0.11	0.05
Total expenses	(0.09)	(0.17)	(0.19)	(0.20)	(0.25)	(0.21)
Realized gains (losses)	0.83	(0.35)	0.04	0.11	(0.56)	(1.02)
Unrealized gains (losses)	(0.02)	0.76	0.94	(0.19)	0.31	0.68
<b>TOTAL INCREASE (DECREASE) FROM OPERATIONS (b)</b>	<b>0.75</b>	<b>0.28</b>	<b>0.84</b>	<b>(0.24)</b>	<b>(0.39)</b>	<b>(0.50)</b>
<b>DISTRIBUTIONS</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>TOTAL ANNUAL DISTRIBUTIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS - END OF PERIOD</b>	<b>1.91</b>	<b>1.16</b>	<b>0.88</b>	<b>-</b>	<b>0.24</b>	<b>0.63</b>
	\$	\$	\$	\$	\$	\$
	2015	2014	2013	2012	2011	2010
<b>CLASS R SHARES</b>						
Net assets - beginning of period	4.16	4.16	4.16	4.16	4.16	4.16
<b>INCREASE (DECREASE) FROM OPERATIONS</b>						
Total revenue	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-
Realized gains (losses)	-	-	-	-	-	-
Unrealized gains (losses)	-	-	-	-	-	-
<b>TOTAL INCREASE (DECREASE) FROM OPERATIONS (b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DISTRIBUTIONS</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>TOTAL ANNUAL DISTRIBUTIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS - END OF PERIOD</b>	<b>4.16</b>	<b>4.16</b>	<b>4.16</b>	<b>4.16</b>	<b>4.16</b>	<b>4.16</b>

(a) Information for the six month period ended June 30, 2015 and the years ended December 31, 2014 and 2013 are derived from the Fund's financial statements prepared in compliance with IFRS. Information for the remaining years is derived from the Fund's financial statements prepared in compliance with Canadian GAAP.

(b) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding during the six month period.

## Ratios and Supplemental Data

<b>CLASS B SHARES</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (\$000s) (a)	\$2,062	\$1,809	\$1,739	\$2,399	\$2,736	\$3,082
Number of shares outstanding (a)	339,753	339,920	345,165	585,560	585,560	651,385
Management expense ratio (b)	5.61%	5.26%	5.34%	5.75%	5.57%	7.03%
Portfolio turnover rate (c)	3.00%	4.82%	2.50%	15.80%	6.90%	12.71%
Trading expense ratio (d)	0.00%	0.02%	0.00%	0.00%	0.02%	0.01%
Net asset value per share (a)	\$6.07	\$5.32	\$5.04	\$4.10	\$4.67	\$4.73

<b>CLASS C SHARES</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (\$000s) (a)	\$6,946	\$4,235	\$3,189	\$0	\$1,737	\$1,898
Number of shares outstanding (a)	3,637,238	3,637,071	3,631,826	3,391,431	3,391,431	3,325,606
Management expense ratio (b)	5.61%	5.26%	5.34%	5.75%	5.57%	7.03%
Portfolio turnover rate (c)	3.00%	4.82%	2.50%	15.80%	6.90%	12.71%
Trading expense ratio (d)	0.00%	0.02%	0.00%	0.00%	0.02%	0.01%
Net asset value per share (a)	\$1.91	\$1.16	\$0.88	\$0.00	\$0.51	\$0.57
Closing market price (e)	\$0.30	\$0.20	\$0.10	\$0.035	\$0.07	\$0.12

<b>CLASS R SHARES</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total net asset value (\$000s) (a)	\$7,944	\$7,992	\$8,050	\$10,616	\$10,787	\$11,902
Number of shares outstanding (a)	1,909,507	1,921,173	1,935,171	2,590,889	2,593,107	2,861,055
Management expense ratio (b)	5.61%	5.26%	5.34%	5.75%	5.57%	7.03%
Portfolio turnover rate (c)	3.00%	4.82%	2.50%	15.80%	6.90%	12.71%
Trading expense ratio (d)	0.00%	0.02%	0.00%	0.00%	0.02%	0.01%
Net asset value per share (a)	\$4.16	\$4.16	\$4.16	\$4.10	\$4.16	\$4.16

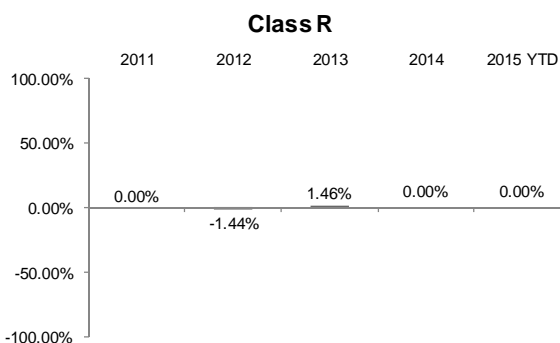
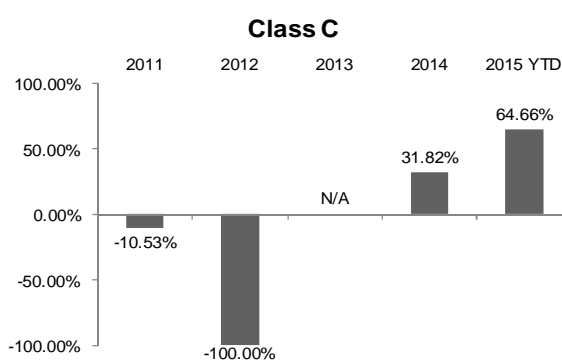
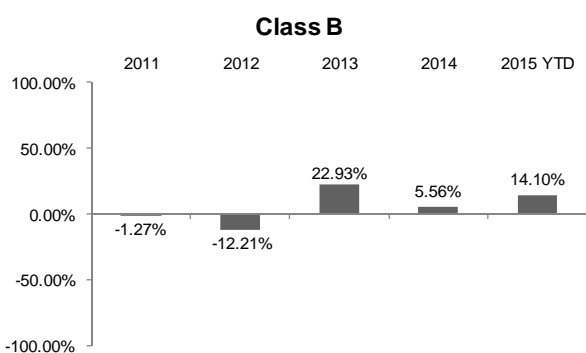
- (a) Information for the six month period ended June 30, 2015 and the years ended December 31, 2014 and 2013 are derived from the Fund's financial statements prepared in compliance with IFRS. Information for the remaining years is derived from the Fund's financial statements prepared in compliance with Canadian GAAP.
- (b) Management expense ratio (MER) is based on total expenses (excluding commissions and other portfolio transaction costs) for the period and is expressed as an annualized percentage of daily average net asset value during the period. The MER may vary from one fund to another and from one class of shares to another because of differences in the applicable management fees.
- (c) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- (d) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (e) Closing market price on the last trading day of the period as reported on the TSX Venture Exchange.

## PAST PERFORMANCE

The following charts shows the past performance for the shares of each class of the Fund and do not necessarily indicate how the Fund will perform in the future. The information shown assumes that any distributions made by the Fund in the years shown were reinvested in additional shares of the Fund and returns would be different if an investor did not reinvest distributions. In addition, the information does not take into account sales, redemptions, income taxes payable or other charges that would have reduced returns or performance.

### Period-by-Period Returns

To illustrate how the Fund's performance has varied from year to year, the following charts show the non-annualized, year-to-date returns for the six month period ended June 30, 2015 and the annual returns for the years ended December 31<sup>st</sup> for the remaining years indicated for the shares of each class of the Fund. The charts show, in percentage terms, how much an investment held on the first day of the period would have increased or decreased by the last day of the period. Performance for Class C Shares are determined based on its net asset value and does not reflect its traded price on the TSX Venture Exchange. The annual return for Class C shares for 2013 could not be calculated because its opening net asset value was nil.



## SUMMARY OF INVESTMENT PORTFOLIO

The largest holdings of the Fund as at June 30, 2015 and the major sectors in which the Fund was invested, are indicated below. The investment portfolio may change due to ongoing portfolio transactions. An update of the Fund's summary of investment portfolio as at the end of each calendar quarter is available, on request. Please see the front page of this document for information about how this can be obtained.

### Summary of Top 25 Holdings<sup>(a)</sup>

	<b>% OF FUND</b>
Private unlisted investments <sup>(b)</sup>	43.9
QHR Technologies Inc.	23.6
IWG Technologies Inc.	4.9
Redline Communications Group Inc.	0.8
Santa Rosa Resources Corp.	0.1

### Summary of Composition of the Portfolio

	<b>% OF FUND</b>
Software and services	23.9
Health care equipment and services	23.5
Technology hardware and equipment	20.8
Other sectors	5.1
<b>TOTAL INVESTMENT PORTFOLIO</b>	<b>73.3</b>
Cash	0.9
Other assets less liabilities	25.8
<b>TOTAL FUND</b>	<b>100.0</b>

(a) The Fund's investment portfolio had less than 25 holdings as at June 30, 2015.

(b) Due to the nature of private unlisted investments, the value of these investments is disclosed on an aggregate basis. See the Fund's financial statements for more information. These investments are listed in the table below.

### PRIVATE UNLISTED INVESTMENTS

#### COMMON SHARES

BasicGov Systems, Inc.  
Navarik Corp.  
One45 Software Inc.  
Tantalus Systems Corp.

#### PREFERRED SHARES

D-Wave Systems Inc., Convertible  
Tantalus Systems Corp., 10.00%, Cumulative, Convertible

#### WARRANTS

BasicGov Systems Inc., 2019/06/13  
BasicGov Systems Inc., 2017/12/31

#### LOANS AND CONVERTIBLE DEBENTURES

BasicGov Systems, Inc., 15.00%, Convertible, 2016/12/31  
Cantronic Systems Inc., 10.00%, Demand  
Tantalus Systems Corp., 5.00%, Convertible, 2018/04/12

## Caution Regarding Forward-Looking Statements

This report contains forward-looking statements about the Fund, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions and are indicated by the use of words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or similar expressions.

In addition, any statement made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Fund and economic factors, among other things.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these digressions, including, but not limited to: general economic, political and 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, and catastrophic events.

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

# PENDER

MANAGED BY:  
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